UCLA

ANNUAL FINANCIAL REPORT

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UCLA

Lloyd S. Shapley, Nobel Prize in Economic Sciences, for "The theory of Stable Allocations and the Practice of Market Design," receiving his Prize at the Stockholm Concert Hall, December 10th, 2012.

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UCLA

Letter from Chancellor Gene D. Block

"The 2012–13 academic year was monumentally successful for UCLA. In ways both great and simple, our students, staff and faculty enhanced UCLA's excellence in research and teaching, and they deepened the impact of our service to our society."

The 2012–13 academic year was monumentally successful for UCLA. In ways both great and simple, our students, staff and faculty enhanced UCLA's excellence in research and teaching, and they deepened the impact of our service to our society.

In October, we celebrated one of the signature moments of our recent history when Lloyd S. Shapley, professor emeritus of economics and mathematics, received the Nobel Memorial Prize in Economic Sciences. Professor Shapley, who joined our faculty in 1981, was honored for his research in "matching theory," which aims to improve the performance of markets by, for example, connecting prospective students with schools or aligning patients who need organ transplants with donors. He became the sixth UCLA professor to be named a Nobel laureate, and was one of dozens of UCLA faculty to receive major honors in the past year.

The breadth and impact of the research being conducted by our faculty is impressive. Their extraordinary scholarship is changing the world and will continue to do so. UCLA's role as an engine of discovery continues to draw significant investment in the form of research grants and contracts. Our faculty received nearly $894 million in competitively awarded research contracts and grants, a terrific achievement given the increasingly challenging environment for funding.

Our faculty excel at applying knowledge from multiple disciplines to answer today's most vexing questions. One example of many is our interdisciplinary research on the structure and function of the human brain. In April, I was honored to lead a delegation to the White House for President Obama's announcement of a new federal effort called the BRAIN Initiative, to fund research in this area. UCLA is well positioned to play a significant role in the effort and to secure federal funding because of our strength, not only in neuroscience but in nanotechnology, psychology, psychiatry and other academic fields, and because the disciplines at UCLA work closely together.

A forthcoming initiative called UCLA Grand Challenges will further leverage these strengths, and will draw inspiration from the White House's "grand challenges" campaign to support interdisciplinary mega-research projects that advance research for the benefit

"I am pleased to report that UCLA's graduation rates, which have long been among the best in the nation, are at historically high levels. More than 91 percent of entering freshmen are graduating from UCLA, and continuing this trend will remain a high priority."

of society. We expect the environment and sustainability to be the focus of the first such project at UCLA.

We also continued to transform our campus, providing our scholars and community with the very best resources and facilities. One noteworthy project was the renovation of Pauley Pavilion, which reopened in October. The new Pauley retains its historic appeal and now features state-of-the-art amenities that will benefit our students, student-athletes and fans for many years to come—and it is now better equipped to host a wide range of sports, concerts, and academic and community events throughout the year.

As a campus community, we continue to take steps to improve our collective health and well-being. In April, UCLA became the first UC campus to adopt a tobacco-free policy, banning the use of cigarettes, cigars, chewing tobacco and all other tobacco products. Studies have shown that tobacco users are more likely to quit in tobacco-free environments, and the campus is offering assistance to those who want to give up tobacco products.

UCLA continued to be the most applied-to university in the U.S. For the class entering in fall 2013, we received a record 80,497 applications for approximately 5,700 spots. We remain strongly committed to providing opportunities for California students while enhancing the diversity of our student body by admitting outstanding students from outside the state and around the world.

In addition to enrolling the best and brightest undergraduates, our campus leadership and faculty are committed to ensuring that students are able to easily complete their major requirements and graduate in a timely manner. I am pleased to report that UCLA's graduation rates, which have long been among the best in the nation, are at historically high levels. More than 91 percent of entering freshmen are graduating from UCLA, and continuing this trend will remain a high priority.

One way we are responding to the changing higher-education environment is by increasing and enhancing our use of technological tools such as online education. This is not new to UCLA—we already have an online master's degree program in engineering, to name just one example. With these classes, and with more to come in the future (we plan to offer approximately 40 online undergraduate courses, enrolling up to 4,000 students),

"The breadth and impact of the research being conducted by our faculty is impressive. Their extraordinary scholarship is changing the world and will continue to do so. UCLA's role as an engine of discovery continues to draw significant investment in the form of research grants and contracts."

we will maintain an intense focus on course quality and meeting the needs of our students.

Relieving some of the financial pressure associated with education costs is another way we can meet student needs, and our donors have generously supported this endeavor. In December, we received a transformative gift of $100 million from entertainment industry executive David Geffen to establish the David Geffen Medical Scholarship Fund, which, when combined with an earlier $200 million gift, made him the largest-ever donor to a single University of California campus. The fund provides four-year financial support—covering 100 percent of tuition, room and board, books and supplies, and other expenses—for our most highly qualified medical students starting in fall 2013.

Thousands of our alumni and friends also continued to step up to support UCLA and our scholars in remarkable ways. UCLA raised a total of $512 million in gifts and pledges for 2012–13, a new record for our campus and a bold indication of the confidence that alumni and friends have in UCLA. That depth of engagement will provide an outstanding foundation from which to launch our Centennial Campaign during 2013–14. Our abilities to innovate and inspire, educate and cure, and lead and serve are all tied directly to the generosity and support of our alumni and friends.

Thank you for your vital engagement with UCLA.

Gene D. Block
Chancellor

UCLA

UNIVERSITY OF CALIFORNIA, LOS ANGELES

CAMPUS AND FINANCIAL HIGHLIGHTS

At June 30, 2013 and 2012 *(dollars in millions)*	2013	2012
CAMPUS LAND AREA	419 acres	419 acres
ENROLLMENT - FALL QUARTER		
Undergraduates	27,941	27,199
Graduates, and Interns and Residents	13,400	13,476
EMPLOYEE COUNT		
Full-Time Equivalent (includes over 7,000 casuals and students)	31,457	30,730
NET POSITION:		
Beginning of Year (restated)	$ 3,922	$ 3,944
End of Year	$ 3,902	$ 3,988
ASSETS:		
Total Current Assets	$ 1,646	$ 1,430
Total Noncurrent Assets and Deferred Outflows	9,228	8,910
	$ 10,874	$ 10,340
LIABILITIES:		
Total Current Liabilities	$ 1,247	$ 1,044
Total Noncurrent Liabilities	5,726	5,308
	$ 6,973	$ 6,352
REVENUE:		
Operating Revenue	$ 4,772	$ 4,569
Nonoperating Revenue (Core Activities)	863	795
	$ 5,635	$ 5,364
Principal Sources of Operating Revenue:		
Student Tuition and Fees	*$ 621*	*$ 579*
Grants and Contracts	*$ 897*	*$ 945*
Sales and Services	*$ 3,143*	*$ 2,957*
Principal Sources of Nonoperating Revenue:		
State Educational Appropriations	*$ 408*	*$ 379*
EXPENDITURES:		
Operating Expense	$ 5,894	$ 5,459
Nonoperating Expense (Core Activities)	141	150
	$ 6,035	$ 5,609
Principal Operating Expenditures:		
Salaries and Wages	*$ 2,734*	*$ 2,557*
Benefits	*$ 1,344*	*$ 1,276*
Supplies and Materials	*$ 548*	*$ 534*
Other Operating Expenditures	*$ 886*	*$ 712*

UCLA

The view from Hedrick Hall, looking east across the campus to Downtown Los Angeles. In the foreground is Kaufman Hall (1932). Janss Steps leads up the hill to Royce Hall and Powell Library, two of UCLA's original buildings (1929).

MANAGEMENT'S DISCUSSION AND ANALYSIS

The objective of Management's Discussion and Analysis (MD&A) is to give readers an overview of the financial position and operating activities of the University of California, Los Angeles (UCLA), for the fiscal year ended June 30, 2013, with selected comparative information for the year ended June 30, 2012. This discussion was prepared by management and should be read in conjunction with the financial statements and the accompanying notes.

UCLA is one of 10 campuses within the University of California system. The UCLA Annual Financial Report, while not separately audited, is prepared from the official University of California records and accounts, which are maintained in accordance with the standards prescribed by the Governmental Accounting Standards Board (GASB). The three basic financial statements in this report—the statement of net position; the statement of revenues, expenses and changes in net position; and the statement of cash flows—encompass the UCLA campus and its discretely presented components, the UCLA Foundation and the Jonsson Cancer Center Foundation. The notes to the financial statements provide additional information that is essential to a full understanding of the financial statements. However, the MD&A and the Notes to the Financial Statements focus mainly on the campus; information relating to The UCLA Foundation can be found in the separately issued audited financial statements at https://www.uclafoundation.org, and the Jonsson Cancer Center Foundation (JCCF) has separately issued audited financial statements that can be found at http://www.cancer.ucla.edu/Index.aspx?page=1118.

THE UNIVERSITY OF CALIFORNIA

The University of California, one of the largest and most acclaimed institutions of higher learning in the world, is dedicated to excellence in teaching, research, health care and public service. The University encompasses 10 campuses, which include six medical schools, five medical centers, four law schools and a statewide Division of Agricultural and Natural Resources. The University is also involved in the operation and management of three national laboratories for the U.S. Department of Energy. The consolidated audited financial report of the University of California is available at http://www.universityofcalifornia.edu/reportingtransparency/.

THE LOS ANGELES CAMPUS OF THE UNIVERSITY OF CALIFORNIA

UCLA was founded in 1919 and is financially the largest campus in the 10-campus University of California system, with an annual budget that exceeds $5 billion. The financial statements included in this annual report encompass the following:

Campus – The Los Angeles campus spans 419 acres in Westwood and is devoted to undergraduate and graduate scholarship serving over 40,000 students in the following schools:

COLLEGE OF LETTERS AND SCIENCE
General
Humanities
Institute of the Environment and Sustainability
International Institute
Life Sciences
Physical Sciences
Social Sciences

PROFESSIONAL SCHOOLS
Graduate School of Education & Information Studies
Henry Samueli School of Engineering and Applied Science
John E. Anderson Graduate School of Management
Meyer and Renee Luskin School of Public Affairs
School of Law
School of the Arts and Architecture
School of Theater, Film and Television

HEALTH SCIENCES PROGRAMS
David Geffen School of Medicine
Jonathan and Karin Fielding School of Public Health
School of Dentistry
School of Nursing

BASIC BIOMEDICAL SCIENCES
Letters and Science: Basic Biomedical Sciences
Medicine: Basic Biomedical Sciences

During the 2012-13 academic year, UCLA offered more than 6,900 different undergraduate and graduate courses in 173 subject areas, producing over 572,000 course enrollments for the year. Known for academic excellence, many of UCLA's programs are rated among the best in the nation, and some are among the best in the world. Few universities offer the range and diversity of academic programs available to UCLA students.

The campus' mission also includes a strong dedication to research and public service. The UCLA community focuses on environmental issues, economic and social policy concerns, public education reform, and the cost of health care and medical advances. More than 4,000 research projects are being conducted on campus at any given time. For 2013, UCLA expenditures for research exceeded $700 million. In 2011, the most recently available ranking, the Center for Measuring University Performance, placed UCLA among the nation's top public and private research universities. This ranking was based on the number of competitively awarded research grants and contracts; faculty membership in the National Academies; faculty awards; the number of doctorates awarded; and other factors relating to research.

UCLA Extension offers the public more than 5,000 continuing education courses annually, covering professional and career development, academic enrichment and personal growth. These courses attract over 38,000 individual students from the many communities of Southern California and beyond.

UCLA employed over 41,000 faculty, administrators and staff (including casual and student employees) filling approximately 31,000 full-time-equivalent positions and spent $4 billion in compensation costs for the fiscal year ended June 30, 2013. UCLA's employees are distinguished for their contributions to education, research and public service.

Distinguished honors and awards to UCLA alumni and faculty include:

- Seven alumni awarded Nobel Prizes for chemistry (1951, 1984, and 2010), economics (1990), physiology or medicine (2013), and peace (1950)
- Six faculty members awarded Nobel Prizes for chemistry (1960, 1987, and 1997), physics (1965), medicine (1998), and economic sciences (2012)
- Twelve alumni awarded Rhodes Scholarships
- Ten faculty members awarded the President's National Medal of Science from the National Science Foundation
- One faculty member awarded the Fields Medal for Outstanding Discoveries in Mathematics from the International Congress of the International Mathematical Union (2006)
- Five alumni and three faculty members awarded the Presidential Medal of Freedom

Lloyd S. Shapley, Nobel Prize in Economic Sciences, for "The Theory of Stable Allocations and the Practice of Market Design," receives his Prize at the Stockholm Concert Hall, December 10, 2012.

Shapley joined UCLA in 1981 and is a professor emeritus of economics and mathematics. He is most notable for his work on matrix games and utility theory. Shapley is also a Fellow of INFORMS (Institute for Operations Research and the Management Sciences) and the American Economic Association.

The Center for the Art of Performance at UCLA, the Fowler Museum at UCLA, the Hammer and the UCLA Film & Television Archive provide both academic programs and a wide array of public events second to none.

As of fall 2012, UCLA's on-campus physical plant included nine on-campus buildings under construction, along with 199 existing buildings. Off campus, UCLA owns or manages 135 buildings and has 209 existing leases for various programmatic activities. UCLA has 14 libraries, housing more than 11 million volumes; a cogeneration power plant; on-campus student housing for more than 12,000 students; off-campus student and faculty apartments; and more, including the UCLA Conference Center at Lake Arrowhead.

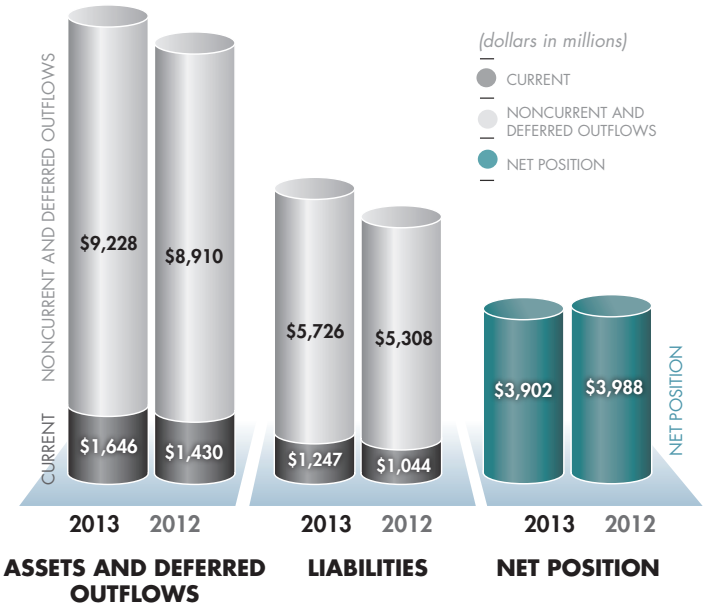
UCLA Health System is comprised of Ronald Reagan UCLA Medical Center, UCLA Medical Center Santa Monica, Resnick Neuropsychiatric Hospital at UCLA, Mattel Children's Hospital UCLA, and the UCLA Medical Group. With its wide-reaching system of primary-care and specialty-care offices throughout the region, UCLA Health System is among the most comprehensive and advanced health care systems in the world. According to U.S. News and World Report's America's Best Hospital Honor

Roll, UCLA Health ranks as one of the top five hospitals in the nation and, for 24 consecutive years, as the best hospital in the Western United States. UCLA's nationally recognized programs based in Westwood and in Santa Monica have been ranked highly in 15 of the 16 specialty areas. The medical center is the primary teaching hospitals for the David Geffen School of Medicine at UCLA. Information relating to UCLA Health System can be found at http://www.uclahealth.org/.

An Overview – The following table reflects the composition of UCLA for 2013, listing enrollment figures, full-time-equivalent employee figures and operating expenses by organization.

(dollars in millions)	Undergraduates	Graduates, Interns and Residents	Full-Time Equivalent (Includes Students)	Salaries and Wages	Benefits	Other Expenditures	Total Expenditures
Organizations	**Fall Enrollment**		**Employees**	**Operating Expenses**			
College of Letters and Science	22,798	2,748	3,484	$ 279	$ 91	$ 104	$ 474
School of the Arts and Architecture	848	335	489	35	12	15	62
School of Dentistry	-	496	403	34	9	21	64
School of Education & Information Studies	-	837	422	32	11	11	54
School of Engineering and Applied Science	3,223	1,773	843	68	24	38	130
School of Law	-	1,094	262	31	8	26	65
School of Management	-	1,968	402	52	12	38	102
School of Medicine	-	2,272	7,554	749	176	357	1,282
School of Nursing	213	380	168	14	4	7	25
School of Public Health	-	590	326	29	9	20	58
School of Public Affairs	-	509	149	14	4	7	25
School of Theater, Film and Television	336	345	257	19	6	7	32
Basic Biomedical Sciences	523	53	169	14	4	8	26
Neuropsychiatric Institute	-	-	612	63	19	38	120
Neuropsychiatric Hospital	-	-	303	31	9	7	47
Medical Center	-	-	8,144	735	236	703	1,674
University Extension	-	-	438	35	10	29	74
All Others	-	-	7,032	500	700	64	1,264
Subtotal Organizations	27,941	13,400	31,457	2,734	1,344	1,500	5,578
Depreciation Expense						293	293
Other Operational Expenditures						23	23
Total	27,941	13,400	31,457	$ 2,734	$ 1,344	$ 1,816	$ 5,894

THE CAMPUS' FINANCIAL POSITION



The major components of the assets, deferred outflows, liabilities and net position as of 2013 and 2012 are as follows:

(dollars in millions)	2013	2012
ASSETS		
Investments	$ 4,380	$ 4,228
Accounts receivable, net	879	700
Capital assets, net	5,448	5,230
Other assets	133	130
Total assets	**$ 10,840**	**$ 10,288**
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows from interest rate swap agreement	$ 35	$ 53
Total deferred outflows of resources	**$ 35**	**$ 53**
LIABILITIES		
Debt, including commercial paper	$ 3,296	$ 3,367
Obligation to UCRP	785	508
Obligations for retiree health benefits	1,701	1,445
Other liabilities	1,191	1,032
Total liabilities	**$ 6,973**	**$ 6,352**
NET POSITION		
Invested in capital assets, net of related debt	$ 2,541	$ 2,252
Restricted - expendable	1,347	1,291
Restricted - nonexpendable	237	231
Unrestricted	(223)	214
Total net position	**$ 3,902**	**$ 3,988**

The statement of net position presents UCLA's financial position at the end of the fiscal year. It displays the assets, deferred outflows and liabilities of the campus. The difference between assets, deferred outflows and liabilities is net position.

The Campus' Assets

UCLA's total assets have grown by $552 million to $10.8 billion in 2013, compared to $10.3 billion in 2012. Generally, over the past two years, capital assets have increased while investments have fluctuated, consistent with market performance.

Investments held by the University are principally carried in three investment pools: the Short Term Investment Pool (STIP), the Total Return Investment Pool (TRIP) and the General Endowment Pool (GEP). Cash for operations and bond proceeds for construction expenditures are invested in STIP. The University uses STIP to meet operational liquidity needs. TRIP allows participating campuses the opportunity to maximize the return on long-term capital by taking advantage of the economies of scale of investing in a large pool across a broad range of asset classes. TRIP is managed to a total return objective and is intended to supplement STIP. The GEP is a balanced portfolio and the primary investment vehicle for individual endowments and funds functioning as endowments.

The Regents of the University of California (The Regents) utilize asset allocation strategies that are intended to optimize investment returns over time in accordance with investment objectives and acceptable levels of risk. The GEP portfolio had a positive return of 12.0 percent in 2013, a negative return of 0.7 percent in 2012, and a positive return of 20.2 percent in 2011. TRIP had positive returns of 8.3 percent in 2013, 6.7 percent in 2012 and 11.2 percent in 2011. STIP had positive returns of 2.1 percent, 2.4 percent and 2.5 percent in 2013, 2012 and 2011, respectively.

UCLA's investments, at June 30, include STIP at $1.7 billion for both 2013 and 2012; $1.4 billion and $1.3 billion in TRIP for 2013 and 2012, respectively; and $1.3 billion and $1.2 billion in GEP for 2013 and 2012, respectively.

While investments increased due to strong market performance in 2013, investments also decreased by $66 million because the University changed its accounting policy from reporting externally held irrevocable trusts to report these gifts when the time requirements are met and the gifts are received.

Capital assets, net continues to increase in order to provide the facilities necessary to support UCLA's teaching, research and public service mission, and for patient care. These facilities include core academic buildings, libraries, student services, housing and auxiliary enterprises, health science centers, utility plants and infrastructure, and remote centers for educational outreach, research and public service. Total additions to capital assets were $524 million in 2013 and $681 million in 2012. Completed buildings and improvements in 2013 include the Pauley Pavilion Renovation for $128 million and the student housing's Weyburn Terrace for $90 million. Projects under construction include the Center for the Health Sciences (CHS) South Tower Seismic Renovation and Engineering VI—a six-story laboratory building supporting green technology research.

Other assets include inventories, accounts receivables, pledges receivable, notes and mortgages receivable, and other assets.

Deferred Outflows of Resources

Changes in fair values of the University's interest rate swaps that are determined to be hedging derivatives are reported as deferred outflows of resources.

The Campus' Liabilities

Campus liabilities grew to $7.0 billion in 2013, compared to $6.3 billion in 2012, mainly due to the issuance of additional debt and increases in the obligations for retiree pensions and health benefits.

Debt, including commercial paper, decreased by $71 million, remaining near $3.3 billion at the end of 2013. Capital assets are financed from a variety of sources, including equity contributions, federal and state support, revenue bonds, bank loans and leases. Commercial paper provides interim financing for capital assets during the construction period. UCLA's debt, which is used to finance capital assets, includes $192 million of commercial paper outstanding at the end of 2013 and $165 million of commercial paper outstanding at the end of 2012.

In 2013, General Revenue Bonds of $635 million and capital leases of $99 million were issued to finance and refinance certain UCLA facilities and projects. Reductions to outstanding debt in 2013 were $882 million, including $833 million for one-time principal payments for the refinancing or refunding of previously outstanding debt and $49 million in principal payments and amortizations.

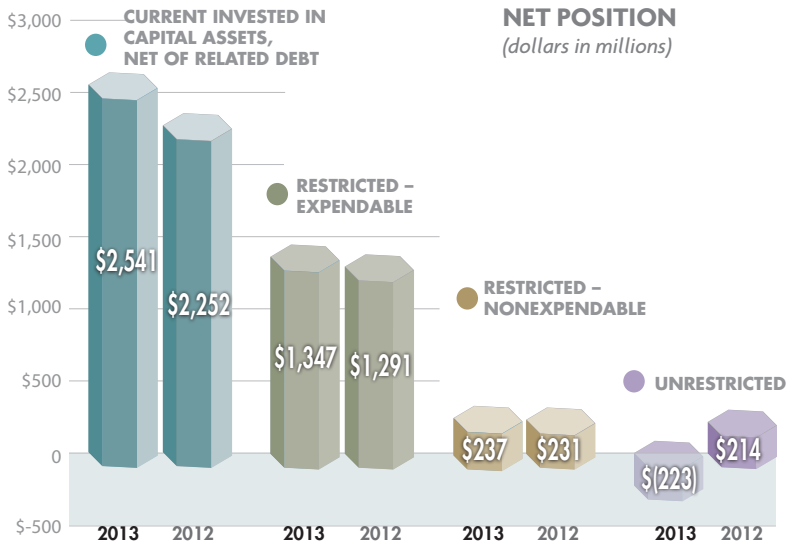
The University's General Revenue Bond ratings are currently affirmed at Aa1 with a negative outlook by Moody's Investors Service, AA+ by Fitch with a stable outlook, and AA by Standard & Poor's with a stable outlook. The University's Limited Project Revenue Bonds and Medical Center Pooled Revenue Bonds are currently affirmed at Aa2 with a negative outlook by Moody's Investors Service, AA by Fitch with a stable outlook, and AA- by Standard & Poor's with a stable outlook.

Obligations to UCRP and for retiree health benefits - The University has a financial responsibility for pension benefits associated with its defined benefit plan and for retiree health benefits. The University's obligation to University of California Retirement Plan (UCRP) represents the unfunded portion of the actuarial determined annual required contributions under the University's funding policy. The funding policy contributions for UCLA for 2013 were $785 million, which represents 28.6 percent of covered compensation. The funding policy contributions for 2012 were $508 million, which represents 26.3 percent of covered compensation.

The University's obligation for retiree health benefits is based upon an actuarial determination of the annual retiree health benefit expense. The University funds the retiree health expense through University of California Retiree Health Benefit Trust (UCRHBT) based upon a projection of benefits on a pay-as-you-go basis. The increase of $256 million and $289 million in both 2013 and 2012, respectively, in the obligation for retiree health benefits is due to the impact of amortizing the University's unfunded obligation. The unfunded liability for UCLA as of July 1, 2012 actuarial valuation was $3.3 billion.

Other liabilities include federal refundable loans, accrued vacation and derivative instruments. They decreased by $12 million to $163 million.

The Campus' Net Position



Net position represents the residual interest in UCLA's assets and deferred outflows after all liabilities are deducted. During the year, the campus' net position decreased by $87 million, bringing the year-end total to $3.9 billion. Net position is reported in four major categories: invested in capital assets, net of related debt; restricted nonexpendable; restricted expendable; and unrestricted.

The portion of net position invested in capital assets, net of accumulated depreciation and related outstanding debt used to finance the acquisition, construction or improvement of these capital assets, was $2.5 billion in 2013, an increase of $289 million over 2012 as the campus continues to invest in its physical facilities.

Restricted, nonexpendable net position includes the corpus of UCLA's permanent endowments and the estimated fair value of certain planned giving arrangements. In 2013 and 2012, the increases in restricted nonexpendable net position were principally due to investment performance in excess of the income distribution.

Restricted, expendable net position, which totaled $1.3 billion in both 2013 and 2012, is subjected to externally imposed restrictions governing their use. Net position may be spent only in accordance with the restrictions placed upon them and may include endowment income and gains, subject to the University's spending policy; support received from gifts, appropriations or capital projects; trustee-held investments; or other third party receipts. The increases or decreases in restricted, expendable funds are principally due to unrealized appreciation or depreciation, respectively, in the fair value of investments related to restricted gifts and funds functioning as endowments.

Under generally accepted accounting principles, net position that is not subject to externally imposed restrictions governing their use must be classified as unrestricted for financial reporting purposes. Although unrestricted net position is not subject to externally imposed restrictions, substantially all of the net position is allocated for academic and research initiatives or programs and for capital and other purposes. As of June 30, 2013, unrestricted net position is in a deficit position. This decrease is due to pension-plan-funding requirements and increases in the obligation for retiree health benefits.

THE CAMPUS' RESULTS OF OPERATIONS

The statement of revenues, expenses and changes in net position is a representation of the campus' operating results for the fiscal year. It indicates whether the financial condition has improved or deteriorated. In accordance with GASB requirements, certain significant revenues relied upon and budgeted for fundamental operational support of the core instructional mission of the campus, including state educational appropriations, private gifts and investment income, are required to be recorded as non-operating revenues.

Below is a summarized comparison of the operating results for 2013 and 2012, arranged in a format that matches the revenue supporting the core activities of UCLA with the expenses associated with core activities:

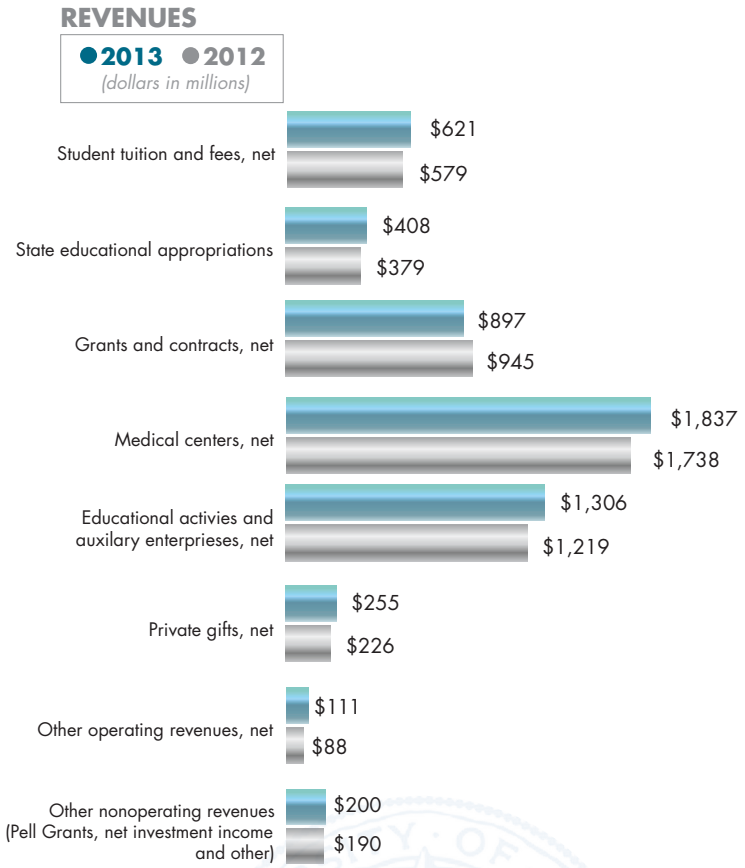
	YEAR ENDED JUNE 30, 2013			YEAR ENDED JUNE 30, 2012		
(dollars in millions)	Operating	Nonoperating	Total	Operating	Nonoperating	Total
REVENUES						
Student tuition and fees, net	$ 621	$ -	$ 621	$ 579	$ -	$ 579
State educational appropriations	-	408	408	-	379	379
Pell Grants	-	43	43	-	50	50
Grants and contracts, net	897	-	897	945		945
Sales and services, net	3,143	-	3,143	2,957	-	2,957
Private gifts, net	-	255	255	-	226	226
Investment income, net	-	94	94	-	91	91
Other revenues, net	111	63	174	88	49	137
Revenues supporting core activities	**4,772**	**863**	**5,635**	**4,569**	**795**	**5,364**
EXPENSES						
Salaries and benefits	4,078	-	4,078	3,834	-	3,834
Scholarships and fellowships	36	-	36	41	-	41
Utilities	53	-	53	44	-	44
Supplies and materials	548	-	548	534	-	534
Depreciation and amortization	293	-	293	294	-	294
Interest expense	-	136	136	-	120	120
Other expenses	886	5	891	712	30	742
Expenses associated with core activities	**5,894**	**141**	**6,035**	**5,459**	**150**	**5,609**
Income (loss) from core activities	**(1,122)**	**722**	**(400)**	**(890)**	**645**	**(245)**
OTHER NONOPERATING ACTIVITIES						
Net appreciation (depreciation) in fair value of investments			179			(90)
Income (loss) before other changes in net position			**(221)**			**(335)**
OTHER CHANGES IN NET POSITION						
State capital appropriations			16			4
Capital gifts and grants			36			66
Permanent endowments			-			-
Transfers to (from) core activities			81			25
Transfers to (from) capital accounts			68			284
Increase in net position			**(20)**			**44**
NET POSITION						
Beginning of year, as previously reported			3,988			3,944
Cumulative effect of accounting change			(66)			-
Beginning of year, as restated			3,922			3,944
End of year			**$ 3,902**			**$ 3,988**

Revenues Supporting Core Activities

Revenues to support UCLA's core activities, including those classified as nonoperating revenues, grew from $5.4 billion in 2012 to $5.6 billion in 2013, an increase of $271 million.

State of California educational appropriations, in conjunction with student tuition and fees, are the core components that support the instructional mission of UCLA. Grants and contracts provide opportunities for undergraduate and graduate students to participate in basic research alongside some of the most prominent researchers in the country. Gifts to the campus allow crucial flexibility to faculty for support of their fundamental activities or new academic initiatives. Sales and service revenue includes the UCLA Health System, educational activities and auxiliary enterprises such as student housing, food services operations and parking.

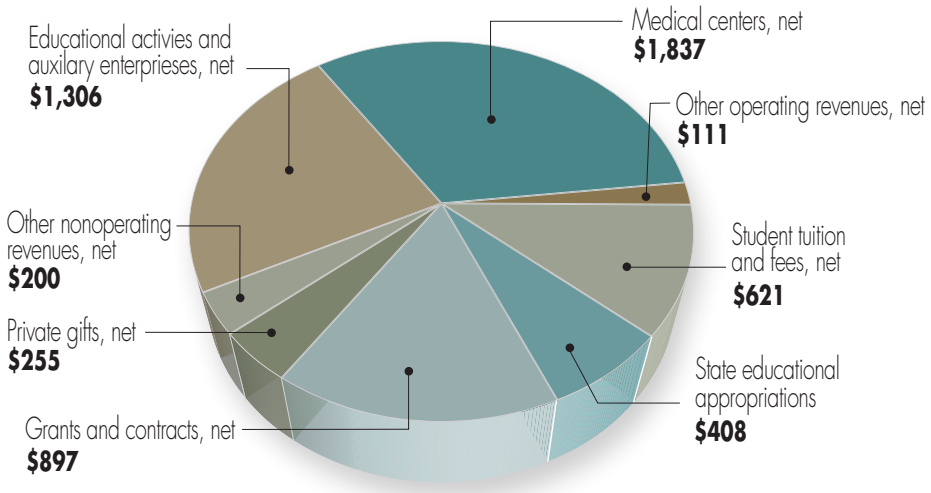
Revenues in the various categories have increased and decreased over the last year as follows:



A major financial strength of UCLA includes a diverse source of revenues, including those from student fees, federally sponsored grants and contracts, medical centers, the State of California, private support and self-supporting enterprises. The variety of fund sources has become increasingly important over the past several years, given the effects of the state's financial crisis that required reductions in both instructional and non-instructional programs.

The following chart displays the categories of both operating and nonoperating revenues that support core activities, as of June 30, 2013:

2013 REVENUES
(dollars in millions)



Student tuition and fees revenue, net of scholarship allowances, increased $42 million in 2013 and accounts for 11 percent of UCLA's revenue. Consistent with past practices, approximately one-third of the revenue generated from these fee increases was used for financial aid to mitigate the impact on low-income students, which resulted in the 3 percent increase in scholarship allowances.

Student Tuition and Fees, net
(dollars in millions)

	2013	2012	Change
Student tuition and fees	$ 740	$ 699	$ 41
Summer Sessions	47	44	3
University Extension	81	75	6
Scholarship allowance	(247)	(239)	(8)
Total	**$ 621**	**$ 579**	**$ 42**

The student enrollment increased 2 percent on a year-over-year basis, with enrolled students of 41,341 and 40,675 in the fall of 2013 and 2012, respectively. Undergraduate and graduate mandatory tuition and fees increased 1 percent for residents and non-residents in 2013 as the Mandatory Medical Insurance Fee increased. Professional degree supplemental tuition varies by discipline, and all programs increased supplemental tuition levels at various levels in 2013 and 2012.

State educational appropriations from the State of California were $408 million and $379 million in 2013 and 2012, respectively, which accounts for 7 percent of UCLA's revenue. State education appropriations increased in 2013 by $29 million as a result of tax initiatives approved by the voters of California in November 2012. The University did not raise tuition in fall 2012 in connection with the passage of these tax initiatives.

Grants and contracts, net received from federal, state, private and local sources, including an overall facilities and administration cost recovery of $184 million and $191 million in 2013 and 2012, respectively, accounted for 16 percent of UCLA's revenue. The awarded grants and contract dollars for 2013 continued to exceed $1.0 billion.

Grants and Contracts *(dollars in millions)*	**2013**	**2012**	**Change**
Federal government	$ 606	$ 637	$ (31)
State agencies	52	76	(24)
Private industries	195	192	3
Local government	44	40	4
Total	**$ 897**	**$ 945**	**$ (48)**

Federal grant and contract revenue decreased $31 million from 2012, which is primarily attributed to expiring federal grants and contracts funded from federal economic stimulus funds made available by the American Recovery and Reinvestment Act (ARRA) and federal budget cuts that have slowed the growth in federal grants and contracts.

State agencies' contract and grant revenue decreased $24 million from 2012, primarily due to state-appropriations grants, including AIDS research, Subject Matter projects and financial aid, which are now paid for from state educational appropriations.

Sales and services, net represents revenue from UCLA Health Systems, educational activities and auxiliary enterprises.

Sales and Services *(dollars in millions)*	**2013**	**2012**	**Change**
UCLA Health System	$ 1,837	$ 1,738	$ 99
Educational activities	965	900	65
Auxiliary enterprises, net	341	319	22
Total	**$ 3,143**	**$ 2,957**	**$ 186**

The UCLA Health System revenues, net of allowances, increased $99 million and $59 million in 2013 and 2012, respectively. The revenue growth for 2013 is primarily due to increases in contract rates, and Medicare and contract volume. During 2013 and 2012, the medical center received additional reimbursements of $9 million and $2 million, respectively, related to the Federal Medicaid Assistance Percentage contained in the American Reinvestment and Recovery Act for poor and indigent patients. In response to health care reform and increasing pension contributions, the medical center continues to invest in expanding services and achieving efficiencies to maintain operating margins.

Revenue from education activities, primarily physicians' professional fees, net of allowances, grew by 7 percent or $65 million in 2013. The growth is generally associated with an expanded patient base and higher rates from third-party payors. Sales from auxiliary enterprises, including on-campus student housing, off-campus housing, intercollegiate athletics, ASUCLA's bookstore and parking services, increased 7 percent or $22 million.

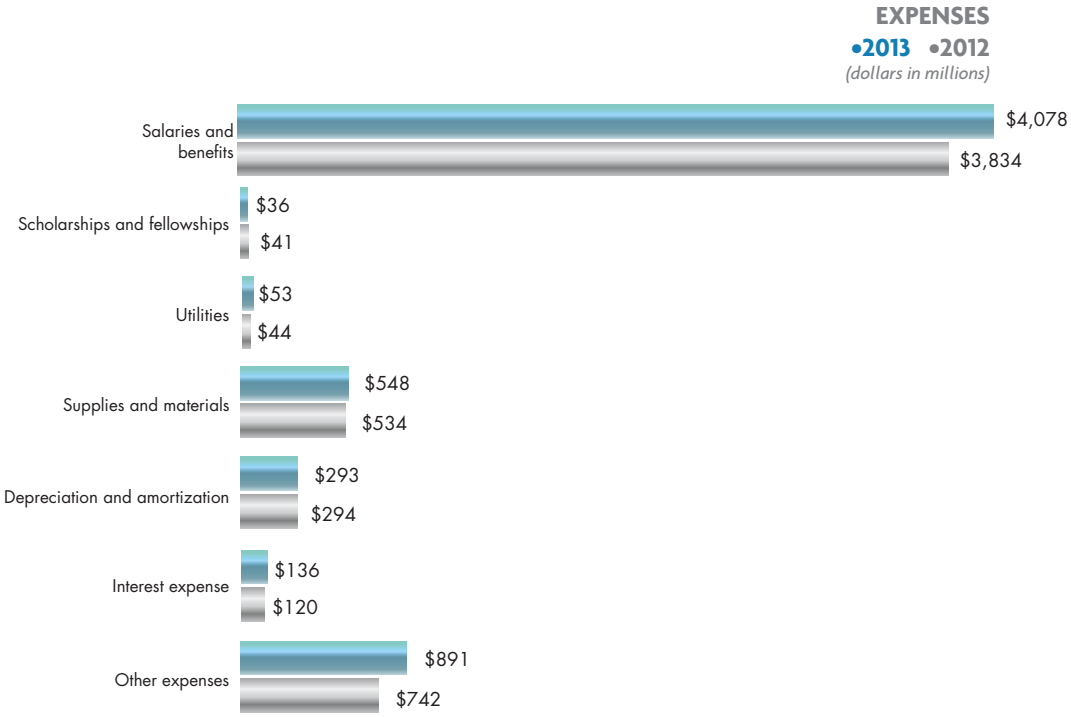
Private gifts revenue, considered nonoperating revenue, either comes directly from the donor or is held by The UCLA Foundation or Jonsson Cancer Center Foundation until transferred to the campus for use. These funds generally are restricted to uses designated by the donor. In 2013, revenues totaled $255 million, representing a $29 million increase from 2012. Approximately 68 percent of these gifts came through The UCLA Foundation for various campus needs. The largest gift received by the campus during 2013 was for the Terasaki Life Science Building. During 2012 it was for the Pauley Pavilion renovation.

Students fill the stands for Pauley Opening Madness, Nov. 2, 2012.

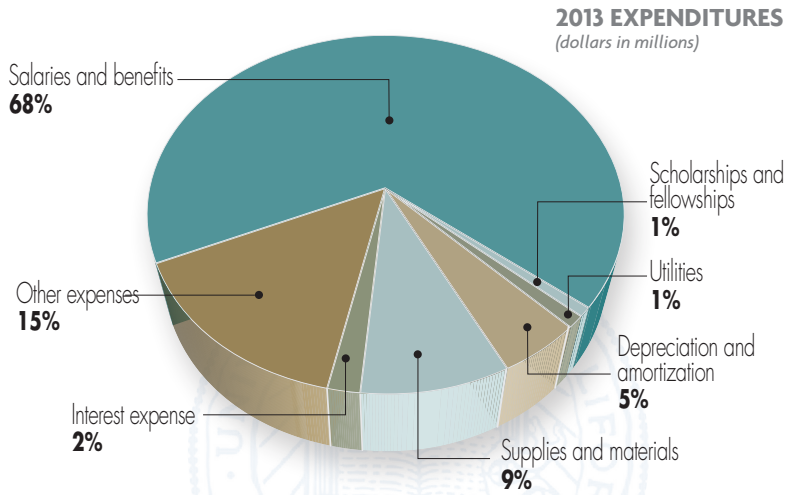
Expenses Associated with Core Activities

UCLA's expenses associated with core campus activities for 2013, including those classified as nonoperating expenses, totaled $6.0 billion, up $426 million from $5.6 billion in 2012. This increase is primarily due to higher salaries and benefits.

Expenses in the various categories over the last two years are as follows:



The Categories of both operating and nonoperating expenses that support core activities, as of June 30, 2013.



Salaries and benefits cover almost 43,000 employees filling approximately 31,000 full-time-equivalent (FTE) positions, a 2 percent increase over the prior year. Over 68 percent of UCLA's expenses are related to salaries and benefits, which grew by $245 million in 2013. Salaries and wages increased $177 million or 7 percent due to a 2 percent increase in the number of FTEs and a 5 percent increase in the average salary per FTE. Employee benefits, excluding pension and post-retirement health care benefits, increased by $24 million or 5 percent due to higher health insurance costs.

Scholarships and fellowships, represented payments of financial aid made directly to students and reported as an operating expense, decreased $5 million for 2013, from $41 million in 2012 to $36 million in 2013. However, scholarship allowances, representing financial aid and fee waivers awarded by the campus, also forms of scholarship and fellowship costs, increased in 2013 by $13 million, from $279 million in 2012 to $292 million in 2013. These scholarship allowances are reported as an offset to revenue, not as an operating expense. On a combined basis, as the campus continues its commitment to provide financial support for low income students, the campus financial aid, in all forms, grew to $328 million in 2013 from $320 million in 2012, an increase of $8 million or 3 percent. UCLA places a high priority on student financial aid as part of its commitment to affordability.

Supplies and materials increased by $14 million or 3 percent during 2013, primarily due to inflationary pressure on the costs for medical supplies and laboratory instruments, and increased medical patient volumes. The University continues to find opportunities to manage the costs of supplies and materials.

Other expenses associated with core activities, with an increase of $149 million for 2013, consists of a variety of expense categories, including travel, rent, insurance, repairs and maintenance, plus any gain or loss on the disposal of capital assets and other nonoperating expenses.

Operating losses, in accordance with the GASB's reporting standards, were $1.1 billion in 2013 and $890 million in 2012. The operating loss in 2013 was partially offset by $863 million of net revenue that is required by the GASB to be classified as nonoperating, but clearly supports core operating activities of the University. Expenses associated with core activities in 2013 exceeded revenue available to support core activities by $400 million.

The operating loss in 2012 was partially offset by $795 million of net revenue that is required by the GASB to be classified as nonoperating, but clearly supports core operating activities of the University. Expenses associated with core activities in 2012 exceeded revenue available to support core activities by $245 million.

Other Nonoperating Activities

UCLA's other nonoperating activities, consisting of net appreciation or depreciation in the fair value of investments, are noncash transactions and, therefore, not available to be used to support operating expenses.

Net appreciation (depreciation) in fair value of investments resulted in net appreciation of $179 million in 2013, compared to net depreciation of $90 million during 2012. Equity and bond markets have been volatile over the last two years. The University's portfolio showed positive performance due to increases in the equity markets that exceed the bond markets in 2013, compared to flat returns in 2012.

Other Changes in Net Position

Similar to the other nonoperating activities discussed above, other changes in net position are also not available to support UCLA's operating expenses in the current year. State capital appropriations and capital gifts and grants may only be used for the purchase or construction of the specified capital assets. Only income earned from gifts of permanent endowments is available in future years to support the specified program.

UCLA's enrollment growth requires new facilities, in addition to continuing needs for renewal, modernization and seismic correction for existing facilities. Although other capital asset funding sources decreased, capital appropriations from the State of California increased by $12 million in 2013. Capital appropriations are from bond measures approved by the California voters.

THE CAMPUS' CASH FLOWS

The statement of cash flows presents the significant sources and uses of cash. A summary comparison of cash flows for 2013 and 2012 is as follows:

Cash Flows *(dollars in millions)*	**2013**	**2012**	**Change**
Cash received from operations	$ 4,493	$ 4,452	$ 41
Cash payments for operations	(4,778)	(4,824)	46
Net cash used by operating activities	**(285)**	**(372)**	**87**
Net cash provided by noncapital financing activities	756	689	67
Net cash provided by operating and noncapital financing activities	**471**	**317**	**154**
Net cash provided (used) by capital and related financing activities	(478)	58	(536)
Net cash provided (used) by investing activities	45	(376)	421
Net increase (decrease) in cash and cash equivalent	**38**	**(1)**	**39**
Cash and cash equivalent, beginning of year	715	716	(1)
Cash and cash equivalent, end of year	**$ 753**	**$ 715**	**$ 38**

UCLA's cash in demand-deposit accounts is minimized by sweeping available cash balances into investment accounts managed by the Office of the President on a daily basis. Cash provided by operating and noncapital financing activities ranged between $317 million and $472 million for the last two years. In accordance with GASB requirements, certain cash flows relied upon for fundamental operational support of the core instruction mission of the campus are reported as noncapital financing activities, including state educational appropriations, private gifts and grants, and investment income.

Net cash of $478 million was used in 2013 for capital and related financing activities, primarily for purchases of capital assets and principal and interest payments, partially offset by sources that include new external financing, state and federal capital appropriations, and gifts for capital purposes.

The year-to-year change in cash provided (used) by investing activities is largely the result of routine timing of investment purchases, sales and, to a lesser extent, investment income.

LOOKING FORWARD

UCLA, as part of the University of California system, is a world center of learning known for generating a steady stream of talent, knowledge and social benefits, and has always been at the center of California's capacity to innovate. The excellence of its programs attracts the best students, leverages hundreds of millions of dollars in state, federal and private funding and promotes discovery of new knowledge that fuels economic growth.

The University's variety of funding sources has become increasingly important over the past several years, given the effects of the state financial crisis. In June 2013, the Legislature approved the governor's 2014 budget recommendation for a multi-year funding plan that will provide an annual base budget increase beginning with 5 percent in 2014, another 5 percent in 2015, 4 percent in 2016 and another 4 percent in 2017. This multi-year funding plan is intended to provide all UC campuses with fiscal stability after five years of severe reductions in state educational appropriations. In exchange for this long-term stability, the University commits to focus its resources to address long-term accountability goals for accessibility, student fees, financial aid and performance outcome measures.

UCLA remains highly competitive in attracting federal grants and contracts revenue, with fluctuations in the awards received closely paralleling trends in the budgets of federal research granting agencies. Over two-thirds of UCLA's federal research revenue comes from two agencies, the Department of Health and Human Services, primarily through the National Institutes of Health, and the National Science Foundation. While the federal government works through its own financial constraints, there is a bipartisan effort underway to focus on innovation and competitiveness for the nation. UCLA is a national resource for helping the nation address competitiveness and economic initiatives.

Currently, the University does not pre-fund retiree health benefits and provides for benefits on a pay-as-you-go basis. The unfunded liability for UCLA as of the July 1, 2012 actuarial valuation was $3.3 billion. The Regents approved a new eligibility formula for the Retiree Health Plan for all employees hired on or after July 1, 2013, and non-grandfathered members, that is based on a graduated formula using both a member's age and years of Retirement Plan service credit upon retirement, subject to collective bargaining for represented members.

The UC Retirement Plan (UCRP) costs are funded by a combination of investment earnings, employee member and employer contributions. The unfunded liability for UCLA as of July 1, 2012 actuarial valuation was $2.3 billion or 78.1 percent funded. As of July 1, 2013, the funded ratio is expected to decrease to approximately 76 percent. The total funding policy contributions in the July 1, 2012

actuarial valuations represent 28.7 percent of covered compensation. Member and employer contributions increased to 6.5 percent and 12.0 percent, respectively, of covered compensation in July 2013. Member contributions for the employees in the new benefit tier are 7.0 percent, and the employer rate is uniform across all members. The Regents approved increasing employee member and employer contributions to 8.0 percent and 14.0 percent, respectively, in July 2014. These contribution rates are below UCRP's total funding requirements. The Regents also approved a new tier of pension benefits applicable to employees hired on or after July 1, 2013, which increased the early retirement age from 50 to 55, but retain many of the current features of UCRP. The new tier would not offer lump-sum cash-outs, inactive member Cost of Living Adjustments (COLAs) or subsidized survivor annuities for spouses and domestic partners. These changes are subject to collective bargaining for union-represented employees.

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions, effective for the University's fiscal year beginning July 1, 2014. This Statement revises existing standards for measuring and reporting pension liabilities for pension plans provided by the University to its employees. This Statement requires recognition of a liability equal to the net pension liability, which is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. The total pension liability is determined by discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan's fiscal year end. Projected benefit payments are required to be discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available. This Statement requires that most changes in the net pension liability be included in pension expense in the period of the change. As of June 30, 2013, UCLA reported an obligation to UCRP of $785 million, representing unfunded contributions to UCRP based upon the University's funding policy. Under GASB No. 68, the University's obligation to UCRP is expected to increase. However the amount of the increase has not been determined at this time.

The UCLA Health System has demonstrated very positive financial results, although it continues to face financial and competitive challenges in its regional market, along with the added costs and responsibilities related to the function as an academic institution. The demand for health care services and the cost of providing them continue to increase significantly. In addition to the rising costs of salaries, benefits and medical supplies faced by hospitals across the state, along with the costs of maintaining and upgrading facilities, UCLA's medical center also faces additional costs associated with new technologies, biomedical research, the education and training of health care professionals and the care for a disproportionate share of the medically underserved in California. Other than Medicare and Medi-Cal (California's Medicaid program), health insurance payments do not recognize the added cost of teaching in their payment to academic medical centers. Over the last few years, Medicare margins have declined as a result of payment reductions. Changes to the Medi-Cal program will likely limit or reduce the rates of payment growth to the medical center in future years.

The continuing financial success of the UCLA Health System is predicated on a multifaceted strategy, which includes competing in commercial markets and offering high-quality regional services. Positive results in commercial contracts have helped address the lack of support for medical education and care for the poor. Further, the medical center remains competitive in its respective market by reducing costs

through improved efficiencies, making strategic investments and by expanding its presence in the market through stronger links with other providers and payers. Payment strategies must recognize the need to maintain an operating margin sufficient to cover debt, provide working capital, purchase state-of-the-art equipment and invest in infrastructure and program expansion.

On March 23, 2010, the Patient Protection and Affordable Care Act (PPACA) was signed into law. On March 30, 2010, the Health Care and Education Reconciliation Act of 2011 was signed, amending the PPACA (collectively the "Affordable Care Act"). On June 29, 2012, the Supreme Court upheld the constitutionality of much of the Affordable Care Act. The Affordable Care Act addresses a broad range of topics affecting the health care industry, including a significant expansion of health care coverage. The coverage expansion is accomplished primarily through incentives for individuals to obtain and employers to provide health care coverage and an expansion in Medicaid eligibility. The Affordable Care Act also includes incentives for medical research and the use of electronic health records, changes designed to curb fraud, waste and abuse, and creates new agencies and demonstration projects to promote innovation and efficiency in the health-care-delivery system. Some provisions of the health-care-reform legislation were effective immediately; others are being phased in through 2014. The medical center will likely be affected by the coverage expansion provisions that go into effect in 2014, creating pressure on the medical center to care for more patients without additional financial resources; however, the effect of this legislation is not determinable at this time.

UCLA must have a balanced array of many categories of facilities to meet its education, research and public service goals and continues to assess its long-term capital requirements. The support for UCLA's capital program will be provided from a combination of sources, including the State of California, external financing, gifts and other sources.

Additional budget information can be found at: http://budget.universityofcalifornia.edu/. Additional information concerning state budget matters and the state's financial condition may be found on the website of the State of California Department of Finance at http://www.dof.ca.gov.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain information provided by UCLA, including written as outlined above or oral statements made by its representatives, may contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical facts—which address activities, events or developments that UCLA expects or anticipates will or may occur in the future—contain forward-looking information.

In reviewing such information, it should be kept in mind that actual results may differ materially from those projected or suggested in such forward-looking information. This forward-looking information is based upon various factors and was derived using various assumptions. UCLA does not undertake to update forward-looking information contained in this report or elsewhere to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking information.

Photo by Brad Williams

UCLA athletic teams had already won the most national championships of any NCAA school, but never the baseball title. The Bruins closed that gap in their legacy of sports excellence by sweeping the College World Series in Omaha. The Bruins defeated Mississippi State by a score of 8-0 to secure the 109th national title in the history of UCLA sports. That is a new NCAA record.

UCLA

TRANSMITTAL LETTER

The accompanying Financial Statements reflect the financial position and the results of operations of the University of California, Los Angeles (UCLA), for the fiscal year ended June 30, 2013 and 2012.

The UCLA Financial Statements are not individually audited, but rather are audited as part of the Consolidated Annual Financial Report of the University of California by the firm of PricewaterhouseCoopers, whose report is transmitted to The Regents.

The accompanying Financial Statements and Management's Discussion and Analysis detail only local campus activity. This separate UCLA Annual Financial Report, while not separately audited, is prepared from the official University of California records and accounts, which are maintained in accordance with the standards prescribed by the Governmental Accounting Standards Board (GASB).

In compliance with GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units, the financial activity of the legally separate, tax-exempt UCLA Foundation and the Jonsson Cancer Center Foundation can be found discretely recorded on the campus' financial statements under a separate column titled "Foundations."

Respectfully submitted,

Allison Baird-James
Associate Vice Chancellor/Controller
Corporate Financial Services

UCLA

UNIVERSITY OF CALIFORNIA, LOS ANGELES

STATEMENT OF NET POSITION

At June 30, 2013 and 2012 *(dollars in thousands)*	CAMPUS 2013	CAMPUS 2012	FOUNDATIONS 2013	FOUNDATIONS 2012
ASSETS				
Cash	$ 22,067	$ 18,770	$ 2,131	$ 1,332
Short-term investments	731,389	696,298	255,173	137,902
Investment of cash collateral	-	-	6,319	2,945
Investments held by trustees	157	157	408	550
Accounts receivable, net	784,889	606,721	49	19,300
Pledges receivable, net	4,998	6,059	40,522	46,329
Current portion of notes and mortgages receivable, net	6,912	6,809	-	-
Inventories	51,455	48,451	-	-
Other current assets	44,452	47,226	182	167
Current assets	**1,646,319**	**1,430,491**	**304,784**	**208,525**
Investments	3,647,481	3,530,906	1,580,958	1,485,333
Investments of cash collateral	-	-	-	-
Investments held by trustees	3	14	408	17,879
Pledges receivable, net	5,927	7,691	300,004	232,420
Notes and mortgages receivable, net	76,256	72,603	-	-
Capital assets, net	5,447,734	5,230,343	22,568	23,158
Other noncurrent assets	16,000	16,000	9,417	8,941
Noncurrent assets	**9,193,401**	**8,857,557**	**1,913,355**	**1,767,731**
Total assets	**$ 10,839,720**	**$ 10,288,048**	**$ 2,218,139**	**$ 1,976,256**
DEFERRED OUTFLOW OF RESOURCES				
Deferred outflow from interest rate swap agreements	$ 34,623	$ 52,752	$ -	$ -
Total deferred outflow of resources	**$ 34,623**	**$ 52,752**	**$ -**	**$ -**
LIABILITIES				
Accounts payable	$ 335,189	$ 307,499	$ 5,152	$ 4,207
Accrued salaries and benefits	271,098	147,048	-	-
Deferred revenue	231,990	225,844	-	-
Commercial paper restated	191,971	164,520	-	-
Current portion of long-term debt	84,665	83,447	-	2,945
Funds held for others	-	-	198,495	175,042
Other current liabilities	131,908	115,791	5,232	5,400
Current liabilities	**1,246,821**	**1,044,149**	**208,879**	**187,594**
Federal refundable loans	56,803	60,382	-	-
Obligations under life income agreements	-	-	34,505	35,268
Long-term debt	3,019,842	3,119,156	-	-
Obligation to UCRP	785,067	508,208	-	-
Obligation for retiree health benefits	1,701,379	1,445,113	-	-
Other noncurrent liabilities	162,638	175,448	-	-
Noncurrent liabilities	**5,725,729**	**5,308,307**	**34,505**	**35,268**
Total liabilities	**$ 6,972,550**	**$ 6,352,456**	**$ 243,384**	**$222,862**
NET POSITION				
Invested in capital assets, net of related debt	**$ 2,540,741**	**$ 2,252,486**	**$ -**	**$ -**
Restricted:				
Nonexpendable:				
Endowments	237,011	230,750	778,924	690,833
Annuity and life income funds	38	42	18,195	16,660
Expendable:				
Endowments	396,806	419,527	174,433	128,951
Annuity and life income funds	378	412	13,975	13,258
Funds functioning as endowment	640,779	554,131	426,270	377,008
Endowment income	61,680	64,437	-	-
Grants and contracts	-	-	-	-
Gifts	206,291	209,561	473,141	387,398
Loans	38,410	37,474	-	-
Capital projects	(1,533)	(2,295)	-	-
Debt service	2,184	5,535	-	-
Appropriations	1,264	1,161	-	-
Other	647	1,198	-	-
Total restricted	**1,583,955**	**1,521,933**	**1,884,938**	**1,614,108**
Unrestricted (deficit)	**(222,903)**	**213,925**	**89,817**	**139,286**
Total net position	**$ 3,901,793**	**$ 3,988,344**	**$ 1,974,755**	**$ 1,753,394**

See accompanying Notes to Financial Statements.

UCLA

UNIVERSITY OF CALIFORNIA, LOS ANGELES

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

At June 30, 2013 and 2012 *(dollars in thousands)*	CAMPUS 2013	CAMPUS 2012	FOUNDATIONS 2013	FOUNDATIONS 2012
OPERATING REVENUES				
Student tuition and fees, net	$ 621,099	$ 578,671	$ -	$ -
Grants and contracts:				
Federal	605,452	636,799	-	-
State	52,215	75,801	-	-
Private	195,274	191,545	-	-
Local	43,977	40,523	-	-
Sales and services:				
Medical centers	1,836,854	1,738,598	-	-
Educational activities	965,128	899,793	-	-
Auxiliary enterprises, net	341,086	319,139	-	-
Private gifts	-	-	265,965	184,606
Other operating revenues, net	111,152	87,964	-	-
Total operating revenues	**4,772,237**	**4,568,833**	**265,965**	**184,606**
OPERATING EXPENSES				
Salaries and wages	2,733,882	2,556,884	-	-
UCRP benefits	488,493	410,632	-	-
Retiree health benefits	308,280	342,784	-	-
Benefits	547,217	522,896	-	-
Scholarships and fellowships	36,483	41,291	-	-
Utilities	52,900	44,445	-	-
Supplies and materials	547,950	533,774	-	-
Depreciation and amortization	293,149	293,764	-	-
Campus foundation grants	-	-	264,499	235,347
Other operating expenses	886,231	712,103	1,740	1,844
Total operating expenses	**5,894,585**	**5,458,573**	**266,239**	**237,191**
Operating loss	**(1,122,348)**	**(889,740)**	**(274)**	**(52,585)**
NONOPERATING REVENUES (EXPENSES)				
State educational appropriations	407,887	379,474	-	-
State financing appropriations	30,998	29,909	-	-
Build America Bonds federal interest subsidies	11,057	10,851	-	-
State hospital fee grant	3,293	2,230	-	-
Federal Pell Grants	43,508	50,155	-	-
Private gifts	254,680	226,020	-	-
Investment income			29,575	19,326
Short Term Investment Pool	94,165	90,781	-	-
Endowment, net	-	-	-	-
Net appreciation (depreciation) in fair value of investments	179,297	(90,109)	158,565	(41,936)
Interest expense	(136,389)	(120,335)	-	-
Gain (loss) on disposal of capital assets, net	(5,410)	(30,022)	-	-
Other nonoperating revenues (expenses)	17,926	6,053	(1,889)	(2,206)
Net nonoperating revenues (expenses)	**901,012**	**555,007**	**186,251**	**(24,816)**
Income gain (loss) before other changes in net position	**(221,336)**	**(334,733)**	**185,977**	**(77,401)**
OTHER CHANGES IN NET POSITION				
State capital appropriations	16,099	4,219	-	-
Capital gifts and grants	35,965	65,620	-	-
Permanent endowments	-	-	53,572	48,623
Transfers	149,196	308,881	-	-
Increase (decrease) in net assets	**(20,076)**	**43,987**	**239,549**	**(28,778)**
NET POSITION				
Beginning of year as previously reported	3,988,344	3,944,357	1,753,394	1,782,172
Cumulative effect of accounting change	(66,475)	-	(18,188)	-
Beginning of year restated	3,921,869	3,944,357	1,735,206	1,782,172
End of year	**$ 3,901,793**	**$ 3,988,344**	**$ 1,974,755**	**$ 1,753,394**

See accompanying Notes to Financial Statements.

UNIVERSITY OF CALIFORNIA, LOS ANGELES

TRANSFERS

At June 30, 2013 and 2012 *(dollars in thousands)*	CAMPUS 2013	CAMPUS 2012
Current (to)/from retirement of indebtedness	$ (91)	$ (136)
Current:		
Intrafund	-	-
Intercampus	80,862	24,935
Interfund	97	-
Net revenue of bonds and other indebtedness programs	-	-
Indirect cost recovery	-	-
Net adjustments	-	-
Unexpended plant	124,608	210,632
Retirement of indebtedness	(55,457)	72,086
Investment in plant:		
Intrafund transfer assets	232	1,100
Intrafund transfer depreciation	(1,184)	134
Renewals and replacements	-	-
Loan	129	130
Indirect cost recovery	-	-
Total transfers	**$ 149,196**	**$ 308,881**

See accompanying Notes to Financial Statements.

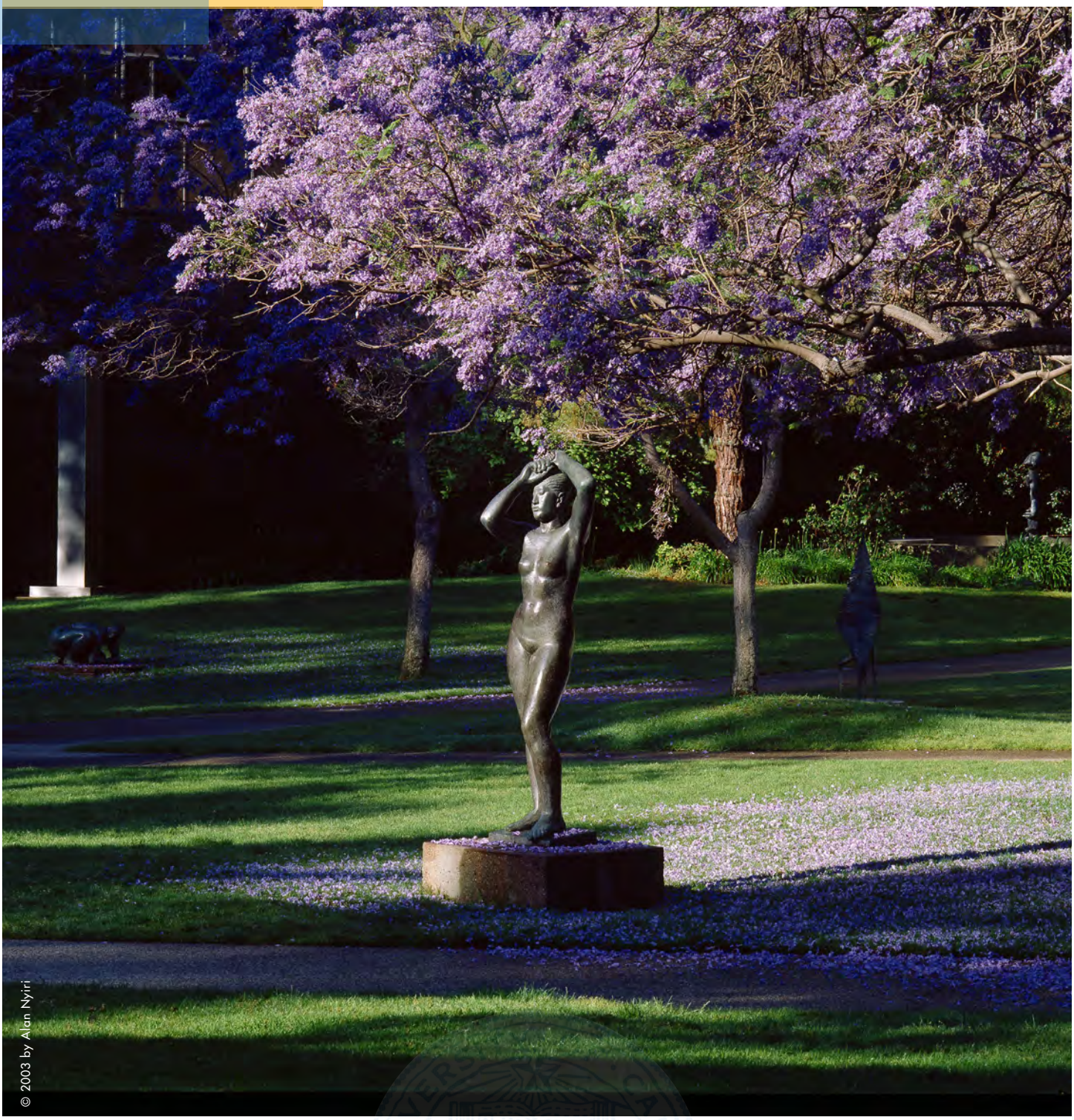
UCLA

UNIVERSITY OF CALIFORNIA, LOS ANGELES

STATEMENT OF CASH FLOWS

At June 30, 2013 and 2012 *(dollars in thousands)*	CAMPUS 2013	CAMPUS 2012	FOUNDATIONS 2013	FOUNDATIONS 2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Student tuition and fees, net	$ 615,204	$ 583,486	$ -	$ -
Grants and contracts	897,919	917,076	-	-
Receipts from sales and services of:				
Medical centers	1,708,394	1,739,373	-	-
Educational activities	926,388	875,866	-	-
Auxiliary enterprises, net	334,032	318,864	-	-
Collection of loans from students and employees	11,232	10,329	-	-
Private gifts	-	-	146,093	120,506
Payments to employees	(2,595,086)	(2,650,024)	-	-
Payments to UCRP	(200,056)	(151,177)	-	-
Payments for retiree health benefits	(52,012)	(67,364)	-	-
Payments for other employee benefits	(541,233)	(519,305)	-	-
Payments to suppliers and utilities	(1,401,658)	(1,443,932)	-	-
Payments for scholarships and fellowships	(36,483)	(41,291)	-	-
Loans issued to students and employees	(14,500)	(9,871)	-	-
Operating expenses and grants	-	-	(265,846)	(235,180)
Other receipts (payments)	93,133	58,662	(3,161)	(3,929)
Transfers - intercampus	(30,691)	7,410	-	-
Net cash provided (used) by operating activities	**(285,417)**	**(371,898)**	**(122,914)**	**(118,603)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State educational appropriations	407,887	379,474	-	-
Federal Pell Grant	43,508	50,155	-	-
State hospital fee grant	3,293	2,230	-	-
Gifts received for other than capital purposes:				
Private gifts for endowment purposes	-	-	42,244	37,635
Other private gifts	257,449	230,380	-	-
Other receipts (payments)	(1,037)	21,685	-	-
Transfers - intercampus	45,583	5,482	-	-
Net cash provided by noncapital financing activities	**756,683**	**689,406**	**42,244**	**37,635**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Commercial paper financing				
Proceeds from issuance	-	131,226	-	-
Interest paid	-	-	-	-
State capital appropriations	15,554	11,876	-	-
State financing appropriations	23,623	17,663	-	-
Build America Bonds federal interest subsidies	10,637	11,125	-	-
Capital gifts and grants	32,134	55,502	-	-
Proceeds from debt issuance	39,071	411,677	-	-
Proceeds from the sale of capital assets	5,594	-	-	-
Purchases of capital assets	(553,654)	(577,192)	-	-
Refinancing/prepayment of outstanding debt	-	(132,599)	-	-
Principal paid on debt and capital leases	(17,485)	(17,361)	-	-
Interest paid on debt and capital leases	(139,282)	(137,870)	-	-
Transfers	106,012	283,816	-	-
Net cash used by capital and related financing activities	**(477,796)**	**57,863**	**-**	**-**
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments:				
Other investments	-	-	638,230	445,486
Purchase of investments:				
Other investments	(2,850)	(465,920)	(586,487)	(383,602)
Investment income, net of investment expenses	94,160	90,779	29,726	18,906
Intercampus transactions	(46,392)	(696)	-	-
Net cash provided (used) by investing activities	**44,918**	**(375,837)**	**81,469**	**80,790**
Net increase (decrease) in cash and cash equivalents	**38,388**	**(466)**	**799**	**(178)**
Cash and cash equivalents, beginning of year	715,068	715,534	1,332	1,510
Cash and cash equivalents, end of year	**$ 753,456**	**$ 715,068**	**$ 2,131**	**$ 1,332**

UCLA



Franklin Murphy Sculpture Garden, where Jacarandas in bloom, are framing the bronze statue "Maja" by Gerhard Marcks (1941).

ORGANIZATION/FINANCIAL REPORTING ENTITY

The University of California (the University) was founded in 1868 as a public, state-supported institution. The California State Constitution provides that the University shall be a public trust administered by the corporation "The Regents of the University of California," which is vested with full powers of organization and government, subject only to such legislative control necessary to ensure the security of its funds and compliance with certain statutory and administrative requirements. The majority of the 26-member independent governing board (The Regents) is appointed by the governor and approved by the state Senate. Various University programs and capital outlay projects are funded through appropriations from the state's annual Budget Act. The University's financial statements are discretely presented in the state's general purpose financial statements as a component unit.

The Los Angeles campus of the University of California (UCLA) was founded in 1919 and is financially the largest campus in the 10-campus University of California system. The financial statements included in this annual report present the combined activities of the Los Angeles campus, including the UCLA Medical Center. The University of California system is subjected to an annual audit of the consolidated financial statements, of which UCLA is a part. The financial statements for the Los Angeles campus have not been individually audited.

The Associated Students of UCLA (ASUCLA)'s financial data for the fiscal years ended June 30, 2013 and 2012 has been included in the financial statements in order to reflect total financial activity of the UCLA campus. ASUCLA conducts activities on the UCLA campus pursuant to the Statement of Understanding of ASUCLA's Relationship with the University, dated June 28, 1974.

The UCLA Foundation is a nonprofit, public-benefit corporation organized for the purpose of accepting and administering the full range of private contributions for the campus. The financial activities of the separately incorporated Foundation are not reflected within the campus' records until such time as gifts are transferred from the Foundation to the campus.

The Jonsson Cancer Center Foundation is a 501(c)3 organization established for the purpose of encouraging voluntary private gifts for the benefit of the Jonsson Comprehensive Cancer Center at UCLA. The financial activities of the separately incorporated Foundation are not reflected within the campus' records until such time as gifts are transferred from the Foundation to the campus.

In accordance with the statements of the Governmental Accounting Standards Board (GASB) detailed below, Foundation activity is disclosed on the UCLA financial statements in a separate column.

SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, using the economic resources measurement focus and the accrual basis of accounting. The University follows accounting principles issued by the Government Accounting Standards Board (GASB).

In November 2010, the GASB issued Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, effective for the University's fiscal year beginning July 1, 2012. This Statement requires the University to report the activities for certain public-private partnerships as service concession arrangements in the financial statements. Currently, UCLA does not have any service concession arrangements.

The University and its affiliated campus foundations periodically receive notification that it has a financial interest in various charitable trusts where the assets are invested and administered by outside trustees. Effective July 1, 2012, the University and its affiliated foundations changed its accounting policy and does not record these gifts until the time requirements have been met and the assets are received. The impact of this change in accounting principle resulted in a reduction to the beginning of the year net position of $67 million for the University and $18 million for the campus foundations for the fiscal year ended June 30, 2013.

The significant accounting policies of UCLA are as follows:

Cash and cash equivalents. UCLA considers all balances in demand deposit accounts to be cash. All other highly liquid cash equivalents are classified as short-term investments.

Investments. Investments are recorded at fair value. Securities are generally valued at the last sale price on the last business day of the fiscal year, as quoted on a recognized exchange or utilizing an industry standard pricing service, when available. Securities for which no sale was reported as of the close of the last business day of the fiscal year are valued at the quoted bid price of a dealer who regularly trades in the security being valued. Certain securities may be valued on a basis of a price provided by a single source.

Investments also include private equities, absolute return funds and real estate. Private equities include venture capital partnerships, buyout and international funds. Interests in private equity and real estate partnerships are based upon valuations provided by the general partners of the respective partnerships as of March 31, adjusted for cash receipts, cash disbursements and securities distributions through June 30. Investments in absolute return partnerships are based upon valuations provided by general partners of the respective partnerships as of May 31, adjusted for cash receipts and cash disbursements through June 30. Interests in certain direct investments in real estate are estimated based upon independent appraisals. The University believes the carrying amount of these financial instruments and real estate is a reasonable estimate of fair value at June 30. Because the private equity, real estate and absolute return partnerships, along with direct investments in real estate, are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ significantly from the value that would be used had a ready market for such investment existed.

Deposits with the State of California are valued at contract value, which the University believes approximates fair value.

Investments in registered investment companies are valued based upon the reported net asset value of those companies. Mortgage loans, held as investments, are valued on the basis of their future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Insurance contracts are valued at contract value, plus reinvested interest, which approximates fair value. Estimates of the fair value of interests in externally held irrevocable trusts where the University is the beneficiary of either the income or the remainder that will not become a permanent endowment upon distribution to the University are based upon the present value of the expected future income or, if available, the University's proportional interest in the fair value of the trust assets.

Investments denominated in foreign currencies are translated into U.S. dollar equivalents using year-end spot foreign currency exchange rates. Purchases and sales of investments and their related income are translated at the rate of exchange on the respective transaction dates. Realized and unrealized gains and losses resulting from foreign currency changes are included in the University's Statement of Revenues, Expenses and Changes in Net Position.

Investment transactions are recorded on the date the securities are purchased or sold (trade date). Realized gains or losses are recorded as the difference between the proceeds from the sale and the average cost of the investment sold. Dividend income is recorded on the ex-dividend date, and interest income is accrued as earned. Gifts of securities are recorded based on fair value at the date of donation.

Funds held by trustees. The University and campus foundations have been named the irrevocable beneficiary for several charitable remainder trusts for which the University and campus foundations are not the trustee. Upon maturity of each trust, the remainder of the trust corpus will be transferred to the University or the campus foundation. These funds cannot be sold, disbursed or consumed until a specified number of years have passed or a specific event has occurred. The University and campus foundations are also an income beneficiary of certain trusts where the assets are invested and administered by outside trustees.

Consistent with the University's and campus foundations' recognition policy for pledges of endowment, receivables and contribution revenue associated with these trusts are not reflected in the accompanying financial statements. The University and campus foundations recognize contribution revenue when all eligibility requirements have been met.

Derivative financial instruments. Derivative instruments are recorded at fair value. Futures contracts, foreign currency exchange contracts, stock rights and warrants, options and swaptions are valued at the last sales price on the last day of the fiscal year, as quoted on a recognized exchange or utilizing an industry standard pricing service, when available. Financial institutions or independent advisors have estimated the fair value of the interest rate swaps and total return swaps using quoted market prices when available or discounted expected future net cash flows.

The University has entered into interest rate swap agreements to limit the exposure of its variable-rate debt to changes in market interest rates. Interest rate swap agreements involve the exchange with a counterparty of fixed- and variable-rate interest payments periodically over the life of the agreement without exchange of the underlying notional principal amounts. The net differential to be paid or received is recognized over the life of the agreements as an adjustment to interest expense. The University's counterparties are major financial institutions.

Derivatives are recorded at fair value as either assets or liabilities in the Statement of Net Position. Certain derivatives are determined to be hedging derivatives and designated as either a fair value or cash flow hedge. Under hedge accounting, changes in the fair value of hedging derivatives are considered to be deferred inflows (for hedging derivatives with positive fair values) or deferred outflows (for hedging derivatives with negative fair values).

Changes in fair value of derivatives that are not hedging derivatives are recorded as net appreciation or depreciation of investments in the Statement of Revenues, Expenses and Changes in Net Position.

Accounts receivable, net. Accounts receivable, net of allowance for uncollectible amounts, includes reimbursements due from state and federal sponsors of externally funded research, patient billings, accrued income on investments and other receivables. Other receivables include local government and private grants and contracts, educational activities and amounts due from students, employees and faculty for services.

Pledges receivable, net. Unconditional pledges of private gifts to UCLA in the future, net of allowance for uncollectible amounts, are recorded as pledges receivable and revenue in the year promised at the present value of expected cash flows. Conditional pledges, including pledges of endowments and intentions to pledge, are recognized as receivables and revenues when the specified conditions are met. Receivables and contribution revenue associated with externally held investment trusts are not reflected in the accompanying financial statements. The University recognizes contribution revenue when all eligibility requirements have been met.

Notes and mortgages receivable, net. Loans to students, net of allowance for uncollectible amounts, are provided from federal student loan programs and from other University sources. Home mortgage loans, primarily to faculty, are provided from the University's Short Term Investment Pool and from other University sources. Mortgage loans provided by the Short Term Investment Pool are classified as investments, and loans provided by other sources are classified as mortgages receivable in the Statement of Net Position.

Inventories. Inventories, consisting primarily of supplies and merchandise for resale, are valued at cost, typically determined under the weighted average method, which is not in excess of net realizable value.

Capital assets, net. Land, infrastructure, buildings and improvements, intangible assets, equipment, library collections and special collections are recorded at cost at the date of acquisition, or estimated fair value at the date of donation in the case of gifts. Estimates of fair value involve assumptions and estimation methods that are uncertain and, therefore, the estimates could differ from actual value. Intangible

assets include acquired goodwill. Capital leases are recorded at the present value of future minimum lease payments. Significant additions, replacements, major repairs and renovations to infrastructure and buildings are generally capitalized if the cost exceeds $35,000 and if they have a useful life of more than one year. Minor renovations are charged to operations. Equipment with a cost in excess of $5,000 and a useful life of more than one year is capitalized. All costs of land, library collections, and special collections are capitalized.

Depreciation is calculated using the straight-line method over the estimated economic life of the asset. Equipment under capital leases is amortized over the estimated useful life of the equipment. Leasehold improvements are amortized using the straight-line method over the shorter of the life of the applicable lease or the economic life of the asset.

Estimated economic lives are generally as follows:

Infrastructure	25 years
Buildings and improvements	15–33 years
Equipment	2–20 years
Computer software	3–7 years
Intangible assets	2–indefinite
Library books and collectibles	15 years

Capital assets acquired through federal grants and contracts where the federal government retains a reversionary interest are also capitalized and depreciated.

Inexhaustible capital assets—such as land or special collections that are protected, preserved and held for public exhibition, education or research, including art, museum, scientific and rare book collections—are not depreciated.

Interest on borrowings to finance facilities is capitalized during construction, net of any investment income earned on tax-exempt borrowings during the temporary investment of project-related borrowings.

Unearned revenue. Unearned revenue primarily includes amounts received from grant and contract sponsors that have not been earned under the terms of the agreement and other revenue billed in advance of the event, such as student tuition and fees, and fees for housing and dining services.

Funds held for others. Funds held for others result from the Foundations acting as an agent, or fiduciary, on behalf of organizations that are not significant or financially accountable to the Foundations.

Federal refundable loans. Certain loans to students are administered by UCLA with funding primarily supported by the federal government. UCLA's Statement of Net Position includes both the notes receivable and the related federal refundable loan liability representing federal capital contributions owed upon termination of the program.

Self-insurance programs. The University is self-insured or insured through a wholly owned captive insurance company for medical malpractice, workers' compensation, employee health care and general liability claims. These risks are subject to various claim and aggregate limits, with excess liability coverage provided by an independent insurer. Liabilities are recorded on a systemwide basis when it is probable a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate for claims that have been incurred, but not reported. The estimated liabilities are based upon an independent actuarial determination of the present value of the anticipated future payments. Each campus funds the self-insurance liability through predetermined rates applied to payroll and other expenses. These amounts are reflected as operating expenses in UCLA's Statement of Revenues, Expenses and Changes in Net Position. UCLA's financial statements do not reflect any liabilities for self-insurance claims, as these estimated liabilities are recorded on a systemwide basis.

Obligations under life income agreements. Obligations under life income agreements represent trusts with living income beneficiaries where UCLA has a residual interest. The investments associated with these agreements are recorded at fair value. The discounted present value of any income beneficiary interest is reported as a liability in the Statement of Net Position. Gifts subject to such agreements are recorded as revenue, net of the income beneficiary share, at the date of the gift. Actuarial gains and losses are included in other nonoperating income (expense) in the Statement of Revenues, Expenses and Changes in Net Position. Resources that are expendable upon maturity are classified as restricted, expendable net position; all others are classified as restricted, nonexpendable net position.

Pollution-remediation obligations. Upon an obligating event, UCLA estimates the components of any expected pollution-remediation costs and recoveries from third parties. The costs, estimated using the expected cash flow technique, are accrued as a liability. Pollution-remediation liabilities generally involved groundwater, soil and sediment contamination at certain sites where state and other regulatory agencies have indicated that UCLA is among the responsible parties. The liabilities are revalued annually and may increase or decrease the cost of recovery from third parties, if any, as a result of additional information that refines the estimates, or from payments made from revenue sources that support the activity. There were no expected recoveries at June 30, 2013 and 2012, reducing the pollution-remediation liability.

Net position. Net position is required to be classified for accounting and reporting purposes into the following categories:

> *Invested in capital assets, net of related debt*. This category includes all of UCLA's capital assets, net of accumulated depreciation, reduced by outstanding debt attributable to the acquisition, construction or improvement of those assets.
>
> *Restricted*. UCLA and the foundations classify the net position resulting from transactions with purpose restrictions as restricted net position until the specific resources are used for the required purpose or for as long as the provider requires the resources to remain intact.

Nonexpendable. The net position subject to externally imposed restrictions, which must be retained in perpetuity by UCLA or the foundations, is classified as nonexpendable net position. This includes UCLA's and the foundations' permanent endowed funds.

Expendable. The net position whose use by UCLA or the foundations is subject to externally imposed restrictions that can be fulfilled by actions of UCLA or the foundations pursuant to those restrictions, or that expire by the passage of time, are classified as expendable net position.

Unrestricted. The net position that is neither reserved, restricted, nor invested in capital assets, net of related debt, is classified as unrestricted net position. UCLA's unrestricted net position may be designated for specific purposes by management or The Regents. The foundations' unrestricted net position may be designated for specific purposes by their Board of Trustees. Substantially all of UCLA's unrestricted net position is allocated for academic and research initiatives or programs, for capital programs or for other purposes.

Expenses are charged to either restricted or unrestricted net position based upon a variety of factors, including consideration of prior and future revenue sources, the type of expense incurred, UCLA's budgetary policies surrounding the various revenue sources or whether the expense is a recurring cost.

Revenues and expenses. Operating revenues of UCLA include receipts from student tuition and fees, grants and contracts for specific operating activities, and sales and services from medical centers, educational activities and auxiliary enterprises. Operating expenses incurred in conducting the programs and services of UCLA are presented in the Statement of Revenues, Expenses and Changes in Net Position as operating activities.

Certain significant revenues relied upon and budgeted for fundamental operational support of the core instructional mission of UCLA are mandated by the GASB to be recorded as nonoperating revenues, including state educational appropriations, certain federal grants for student financial aid, private gifts and investment income, since the GASB does not consider them to be related to the principal operating activities of UCLA.

The foundations are established to financially support UCLA. Private gifts to the foundations are recognized as operating revenues since, in contrast to UCLA, such contributions are fundamental to the core mission of the foundations. Foundation grants to UCLA are recognized as operating expenses by the foundations. Private-gift or capital-gift revenues associated with the foundation grants to UCLA are recorded by UCLA as gifts when the foundations transfer the gifts to UCLA.

Nonoperating revenues and expenses include state educational appropriations, state financing appropriations, state hospital fee grants, Build America Bonds federal interest subsidies, federal Pell Grants, private gifts for other than capital purposes, investment income, net unrealized appreciation or depreciation in the fair value of investments, interest expense and gain or loss on the disposal of capital assets.

State capital appropriations, capital gifts and grants, and gifts for endowment purposes are classified as other changes in net position.

Student tuition and fees. Substantially all of the student tuition and fees provide for current operations of UCLA. A small portion of the student fees, reported as capital gifts and grants, is required for debt service associated with student union and recreational centers.

UCLA recognizes scholarship allowances as the difference between the stated charge for tuition and fees, housing and dining charges, recreational center and other fees, and the amount that is paid by the student and third parties on behalf of the student. Payments of financial aid made directly to students are classified as scholarship and fellowship expenses.

Scholarship allowances are netted in the Statement of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2013 and 2012 as follows:

(dollars in thousands) **Scholarship Allowance**	**2013**	**2012**
Student tuition and fees	$ 246,637	$ 238,627
Sales and services auxiliary enterprises	45,637	40,697
Total	$ 292,274	$ 279,324

S***tate appropriations***. The State of California provides appropriations to the University on an annual basis. State educational appropriations are recognized as nonoperating revenue; however, the related expenses for educational or other specific operating purposes are reported as operating expenses. State financing appropriations provide for principal and interest payments associated with lease-purchase agreements with the State Public Works Board and are also reported as nonoperating revenue. State appropriations for capital projects are recorded as revenue under other changes in net position when the related expenditures are incurred. Special state appropriations for tobacco and breast cancer research are reported as grant operating revenue.

Grant and contract revenue. UCLA receives grant and contract revenue from governmental and private sources. UCLA recognizes revenue associated with the direct costs of sponsored programs as the related expenditures are incurred. Recovery of facilities and administrative costs of federally sponsored programs is at cost reimbursement rates negotiated with UCLA's federal cognizant agency, the U.S. Department of Health and Human Services. For the year ended June 30, 2013, the facilities and administrative cost recovery totaled $184 million, $141 million from federally sponsored programs and $43 million from other sponsors. For the year ended June 30, 2012, the facilities and administrative cost recovery totaled $191 million, $149 million from federally sponsored programs and $42 million from other sponsors.

Medical center revenue. Medical center revenue is reported at the estimated net realizable amounts from patients and third-party payers, including Medicare, Medi-Cal and others, for services rendered, as well as estimated retroactive adjustments under reimbursement agreements with third-party payers. Laws and regulations governing Medicare and Medi-Cal are complex and subject to interpretation. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. It is reasonably possible that estimated amounts accrued could change significantly based upon settlement, or as additional information becomes available.

UCRP benefits and obligation to UCRP. UCLA's cost for campus and medical center UCRP benefits expense is based upon the annual required contribution to UCRP, as actuarially determined. Contributions to UCRP are made based upon rates or amounts determined by The Regents, and reduce UCLA's obligation to UCRP in the Statement of Net Position.

Retiree health benefits expense. The University established the University of California Retiree Health Benefit Trust (UCRHBT) to allow certain University locations and affiliates, including UCLA, to share the risks, rewards and costs of providing for retiree health benefits and to accumulate funds on a tax-exempt basis under an arrangement segregated from University assets. The Regents serves as Trustee of UCRHBT and has the authority to amend or terminate the Trust.

The UCRHBT provides retiree health benefits to retired employees of the campus. Contributions from the campus to the UCRHBT are made to a cost-sharing single-employer health plan administered by the University. The campus is required to contribute at a rate assessed each year by the UCRHBT. As a result, the campus' required contributions are recognized as an expense in the Statement of Revenues, Expenses and Changes in Net Position. The financial records of the UCRHBT are reported within the University's Annual Financial Report.

Retiree health benefits and obligations for retiree health benefits. UCLA's cost for campus and medical center retiree health benefits expense is based upon the annual required contribution to the retiree health plan, as actuarially determined. UCLA contributions toward retiree health benefits, at rates determined by the University, are made to UCRHBT and reduce the obligation for retiree health benefits in the Statement of Net Position.

Compensated absences. UCLA accrues annual leave, including employer-related costs, for employees at rates based upon length of service and job classification, and compensatory time based upon job classification and hours worked.

Endowment spending. Under provisions of California law, the Uniform Prudent Management of Institutional Funds Act allows for investment income, as well as a portion of realized and unrealized gains, to be expended for the operational requirements of UCLA programs.

Tax exemption. The University is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC). Because the University is a state institution, related income received by the University is also exempt from federal tax under IRC Section 115(a). In addition, the University

is exempt from state income taxes imposed under the California Revenue and Taxation Code. The UCLA Foundation, the Jonsson Cancer Center Foundation and ASUCLA are exempt under Section 501(c)(3).

Use of estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Although management believes the estimates and assumptions are reasonable, they are based upon information available at the time the estimate or judgment is made, and actual amounts could differ from those estimates.

New accounting pronouncements. In March 2012, the GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities, effective for UCLA's fiscal year beginning July 1, 2013. This Statement reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. UCLA is evaluating the effect that Statement No. 65 will have on its financial statements.

In March 2012, the GASB issued Statement No. 66, Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62, effective for UCLA's fiscal year beginning July 1, 2013. This Statement resolves conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. UCLA is evaluating the effect that Statement No. 66 will have on its financial statements.

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions, effective for UCLA's fiscal year beginning July 1, 2014. This Statement revises existing standards for measuring and reporting pension liabilities for pension plans provided by the University to its employees. This Statement requires recognition of a liability equal to the net pension liability, which is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. The total pension liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan's fiscal year end. Projected benefit payments are required to be discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available. This Statement requires that most changes in the net pension liability be included in pension expense in the period of the change. As of June 30, 2013, UCLA reported an obligation to UCRP of $785 million, representing unfunded contributions to UCRP based upon the University's funding policy. Under Statement No. 68, UCLA's obligation to UCRP is expected to increase. UCLA is evaluating the effect that Statement No. 68 will have on its financial statements.

In January 2013, the GASB issued Statement No. 69, Government Combinations and Disposals of Government Operations, effective for UCLA's fiscal year beginning July 1, 2014. This Statement establishes standards for accounting and financial reporting of government combinations and disposals of government operations. Government combinations include mergers, acquisitions and transfers of operations of government or nongovernment entities to a continuing government. The Statement includes guidance for measuring the assets and liabilities that are acquired in a combination, either with or without consideration. The provisions of this Statement are applicable on a prospective basis to combinations that occur after the effective date. UCLA is evaluating the effect that Statement No. 69 will have on its financial statements.

In April 2013, the GASB issued Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees, effective for UCLA's fiscal year beginning July 1, 2013. This Statement establishes standards for recording a liability when a government extends a nonexchange financial guarantee for the obligations of another government, a not-for-profit organization, a private entity or an individual without receiving equal or nearly equal value in exchange. As part of the nonexchange financial guarantee, the government commits to indemnify the holder of the obligation if the entity or individual that issued the obligation does not fulfill its payment requirements. This standard requires the government that extends a nonexchange financial guarantee to record a liability when qualitative factors and historical data indicate that it is more likely than not that the government will be required to make a payment on the guarantee. UCLA is evaluating the effect that Statement No. 70 will have on its financial statements.

1. CASH AND CASH EQUIVALENTS

UCLA cash and cash equivalents are maintained centrally and managed by the University of California. Bank accounts used by UCLA are zero balance accounts where balances are subject to a daily sweep into the central University of California management system. UCLA financial statements reflect deposits in transit except for amounts maintained by component unit ASUCLA. Cash amounts were $22 million and $19 million, respectively, at June 30, 2013 and 2012. UCLA deposits in transit at June 30, 2013 and 2012 were $12 million and $10 million, respectively, while ASUCLA cash and cash equivalents were $10 million and $9 million at June 30, 2013 and 2012, respectively. UCLA does not have significant exposure to foreign currency risk in its cash and cash equivalents.

The carrying amount of the campus foundations' cash and cash equivalents at June 30, 2013 and 2012 was $2 million and $1 million, respectively, compared to bank balances of approximately $1 million at both June 30, 2013 and 2012. The differences, if any, between the cash and cash equivalents compared to bank balances is due to deposits in transit. Bank balances for the campus foundations total approximately $1 million in excess of the FDIC limits at both June 30, 2013 and 2012. The foundations do not have exposure to foreign currency risk in their cash and cash equivalents.

2. INVESTMENTS

The Regents, as the governing Board, is responsible for the oversight of the University's investments and establishes investment policy, which is carried out by the Chief Investment Officer. These investments are associated with the Short Term Investment Pool (STIP), Total Return Investment Pool (TRIP), General Endowment Pool (GEP), and other investment pools managed by the Chief Investment Officer, or are separately invested. Pursuant to The Regents' policies on campus foundations, the Board of Trustees for each campus foundation may determine that all or a portion of their investments will be managed by the Chief Investment Officer. Asset allocation guidelines are provided to the campus foundations by the Investment Committee of The Regents.

STIP allows participants to maximize the returns on their short-term cash balances by taking advantage of the economies of scale of investing in a large pool with a broad range of maturities and is managed to maximize current earned income. Cash to provide for payroll, construction expenditures and other operating expenses for campuses and medical centers is invested in STIP. The available cash in endowment investment pools awaiting investment, or cash for administrative expenses, is also invested in STIP.

Investments authorized by The Regents for STIP include fixed-income securities with a maximum maturity of five and one-half years. In addition, for STIP, The Regents has also authorized loans, primarily to faculty members residing in California, under the University's Mortgage Origination Program with terms up to 40 years.

TRIP gives participant campuses the opportunity to maximize the return on their long-term working capital by taking advantage of the economies of scale of investing in a large pool across a broad range of asset classes. TRIP is managed to a total return objective and is intended to supplement STIP. Investments authorized by The Regents for TRIP include a diversified portfolio of equity and fixed-income securities.

GEP is an investment pool in which a large number of individual endowments participate in order to benefit from diversification and economies of scale. GEP is a balanced portfolio and the primary investment vehicle for endowed gift funds. Where donor agreements place constraints on allowable investments, assets associated with endowments are invested in accordance with the terms of the agreements.

Other investment pools primarily facilitate annuity and life income arrangements. Separate investments are those that cannot be pooled due to investment restrictions or income requirements.

Investments authorized by The Regents for GEP, other investment pools and separate investments include equity securities, fixed-income securities and certain other asset classes. The equity portion of the investment portfolios include both domestic and foreign common and preferred stocks which may be included in actively or passively managed strategies, along with a modest exposure to private equities. The University's investment portfolios may include foreign currency-denominated equity securities. The fixed-income portion of the investment portfolios may include both domestic and foreign securities, along with certain securitized investments, including mortgage-backed and asset-backed securities. Fixed-income investment guidelines permit the use of futures and options on fixed-income instruments

in the ongoing management of the portfolios. Real estate investments are authorized for GEP. Absolute return strategies, which may incorporate short sales, plus derivative positions to implement or hedge an investment position, are also authorized for GEP.

Derivative instruments, including futures, forward contracts, options and swap contracts, are authorized for portfolio rebalancing in accordance with The Regents' asset allocation policy and as substitutes for physical securities. Derivatives are not used for speculative purposes.

The University had deposits of $1 billion in the State Agency Investment Fund (SAIF) at June 30, 2012. SAIF was created under California Government Code section 16330. The agreement expired April 25, 2013.

More detail about the University of California's investments, securities lending, derivative financial instruments and investments held by trustees can be found in the audited Annual Report.

3. ACCOUNTS RECEIVABLE

Accounts receivable and the allowances for uncollectible amounts at June 30, 2013 and 2012 are as follows:

	UCLA				UCLA FOUNDATIONS
(dollars in thousands)	STATE & FEDERAL GOVERNMENT	MEDICAL CENTERS	OTHER	TOTAL	
At June 30, 2013					
Accounts receivable	$ 114,509	$ 483,650	$ 280,072	$ 878,231	$ 64,373
Allowance for uncollectible amounts	(330)	(76,638)	(16,374)	(93,342)	-
Accounts receivable, net	$ 114,179	$ 407,012	$ 263,698	$ 784,889	$ 64,373
At June 30, 2012					
Accounts receivable	$ 98,436	$ 362,683	$ 243,237	$ 704,356	$ 78,819
Allowance for uncollectible amounts	(306)	(84,131)	(13,198)	(97,635)	
Accounts receivable, net	$ 98,130	$ 278,552	$ 230,039	$ 606,721	$ 78,819

Other accounts receivable are primarily related to private grants and contracts, physicians' professional fees, investment sales, tuition and fees, and auxiliary enterprises.

The foundations' accounts receivable is primarily related to invested income.

4. PLEDGES RECEIVABLE

The composition of pledges receivable at June 30, 2013 and 2012 is summarized as follows:

	UCLA		UCLA FOUNDATIONS	
(dollars in thousands)	**2013**	**2012**	**2013**	**2012**
Total pledges receivable, outstanding	$ 14,347	$ 14,930	$ 437,036	$ 376,406
Less: Unamortized discount to present value	(612)	(496)	(59,114)	(59,828)
Allowance for uncollectible pledges	(2,810)	(684)	(37,396)	(37,862)
Total pledges receivable, net	10,925	13,750	340,526	278,716
Less: Current portion of pledges receivable	(4,998)	(6,059)	(40,522)	(45,711)
Noncurrent portion of pledges receivable	$ 5,927	$ 7,691	$ 300,004	$ 233,005

Future receipts under pledge agreements for each of the five fiscal years subsequent to June 30, 2013 and thereafter are as follows:

(dollars in thousands)	UCLA	UCLA FOUNDATIONS
year ending June 30		
2014	$ 6,015	$ 72,358
2015	2,410	35,030
2016	1,853	32,815
2017	1,070	54,599
2018	500	17,900
2019-2023	2,000	81,668
Beyond 2023	500	142,666
Total payments on pledges receivable	$ 14,348	$ 437,036

Adjustments to the allowance for uncollectible pledges for UCLA have increased (decreased) the following revenues for the years ended June 30, 2013 and 2012:

	UCLA	
(dollars in thousands)	**2013**	**2012**
Private gifts	$ (2,126)	$ (8)
Capital gifts and grants	-	-

5. NOTES AND MORTGAGES RECEIVABLE

Notes and mortgages receivable at June 30, 2013 and 2012, along with allowances for uncollectible amounts, are as follows:

(dollars in thousands)	CURRENT	NONCURRENT NOTES	NONCURRENT MORTGAGES	TOTAL
At June 30, 2013				
Notes and mortgages receivable	$ 7,459	$ 66,057	$ 12,614	$ 86,130
Allowance for uncollectible amounts	(547)	(2,295)	(120)	(2,962)
Notes and mortgages receivable, net	$ 6,912	$ 63,762	$ 12,494	$ 83,168
At June 30, 2012				
Notes and mortgages receivable	$ 7,312	$ 62,415	$ 12,096	$ 81,823
Allowance for uncollectible amounts	(503)	(1,788)	(120)	(2,411)
Notes and mortgages receivable, net	$ 6,809	$ 60,627	$ 11,976	$ 79,412

6. CAPITAL ASSETS, NET

UCLA's capital asset activity for the years ended June 30, 2013 and 2012 is as follows:

(dollars in thousands)	2011	ADDITIONS	DISPOSALS	2012	ADDITIONS	DISPOSALS	2013
ORIGINAL COST							
Land	$ 90,538	$ 31,224	$ -	$ 121,762	$ 28,458	$ (3,100)	$ 147,120
Infrastructure	7,235	150	-	7,385	-	-	7,385
Buildings and improvements	5,220,047	675,025	(29,911)	5,865,161	284,407	-	6,149,568
Equipment	1,008,809	136,707	(42,982)	1,102,534	112,086	(81,746)	1,132,874
Intangible assets	52,092	12,928	(14,829)	50,191	146,382	(1,218)	195,355
Libraries and collections	604,248	27,716	(13,707)	618,257	29,194	(4,829)	642,622
Special collections	80,798	6,826	-	87,624	2,751	-	90,375
Construction in progress	754,336	(209,941)	-	544,395	(79,348)	-	465,047
Capital assets, at original cost	$ 7,818,103	$ 680,635	$ (101,429)	$ 8,397,309	$ 523,930	$ (90,893)	$ 8,830,346

ACCUMULATED DEPRECIATION AND AMORTIZATION	2011	DEPRECIATION AND AMORTIZATION	DISPOSALS	2012	DEPRECIATION AND AMORTIZATION	DISPOSALS	2013
Infrastructure	$ 6,551	$ 121	$ (595)	$ 6,077	$ 121	$ -	$ 6,198
Buildings and improvements	1,925,833	172,221	(10,368)	2,087,686	186,213	-	2,273,899
Equipment	578,400	87,027	(36,001)	629,426	79,140	(73,672)	634,894
Intangible assets	19,389	12,790	(11,568)	20,611	4,901	(7)	25,505
Libraries and collections	414,570	21,606	(13,010)	423,166	22,774	(3,824)	442,116
Accumulated depreciation and amortization	$ 2,944,743	$ 293,765	$ (71,542)	$ 3,166,966	$ 293,149	$ (77,503)	$ 3,382,612
Capital assets, net	$ 4,873,360			$ 5,230,343			$ 5,447,734

7. DEBT

The University directly finances the construction, renovation and acquisition of facilities and equipment, or for such other purposes as are authorized by The Regents through the issuance of debt obligations. Commercial paper and bank loans provide for interim financing. Long-term financing includes revenue bonds, capital lease obligations and other borrowings.

UCLA's outstanding debt at June 30, 2013 and 2012 is as follows:

(dollars in thousands)	WEIGHTED AVERAGE INTEREST RATE	INTEREST RATE RANGES	MATURITY YEARS	2013	2012
INTERIM FINANCING:					
Commercial paper		0.1–0.3%	2013	$ 191,971	$ 164,520
LONG-TERM FINANCING:					
University of California General Revenue Bonds	4.3%	0.1–7.6%	2014–2112	1,424,675	1,509,998
University of California Limit Project Revenue Bonds	5.0%	0.4–6.3%	2014–2050	510,007	519,410
University of California Medical Center Pooled Revenue Bonds	5.2%	0.0–6.6%	2014–2049	558,595	563,325
University of California Medical Center Revenue Bonds	5.3%	4.5–5.5%	2014–2039	77,730	80,795
Adjusted by: Unamortized deferred financing costs				(28,963)	(26,419)
Unamortized bond premium				98,715	56,069
University of California Revenue Bonds	4.6%			2,640,759	2,703,178
Capital lease obligations		0.0–10.0%	2013–2042	424,172	457,883
Other University borrowings		Various	2013–2048	39,576	41,542
Total outstanding debt				**$ 3,296,478**	**$ 3,367,123**
Less: Commercial paper				(191,971)	(164,520)
Current portion of outstanding debt				(84,665)	(83,447)
Noncurrent portion of outstanding debt				**$ 3,019,842**	**$ 3,119,156**

Interest expense associated with financing projects during construction, net of any investment income earned on tax-exempt bond proceeds during construction, is capitalized. Total interest expense during the years ended June 30, 2013 and 2012 was $142 million and $138 million, respectively. Interest expense, net of investment income, totaling $5 million and $18 million, was capitalized during the years ended June 30, 2013 and 2012, respectively. The remaining $136 million in 2013 and $120 million in 2012 are reported as interest expense in the Statement of Revenues, Expenses and Changes in Net Position.

Outstanding Debt Activity

The activity with respect to UCLA's current and noncurrent debt for the years ended June 30, 2013 and 2012 is as follows:

(dollars in thousands)	REVENUE BONDS	OTHER BORROWINGS	CAPITAL LEASE OBLIGATIONS	TOTAL
Year Ended June 30, 2013				
Long-term debt and capital leases at June 30, 2012	$ 2,703,178	$ 41,542	$ 457,889	$ 3,202,609
New obligations	635,357	-	97,076	732,433
Bond premium	49,797	-	-	49,797
Deferred financing costs	(5,629)	-	-	(5,629)
Refinance or prepayment of outstanding debt	(713,448)	-	(114,350)	(827,798)
Scheduled principal payments	(24,430)	(1,966)	(16,443)	(42,839)
Amortization of bond premium	(7,151)	-	-	(7,151)
Amortization of deferred financing costs	3,085	-	-	3,085
Long-term debt and capital leases at June 30, 2013	2,640,759	39,576	424,172	3,104,507
Less: Current portion	(57,678)	(2,004)	(24,983)	(84,665)
Noncurrent portion at June 30, 2013	$ 2,583,081	$ 37,572	$ 399,189	$ 3,019,842
Year Ended June 30, 2012				
Long-term debt and capital leases at June 30, 2011	$ 2,380,454	$ 56,412	$ 284,823	$ 2,721,689
New obligations	452,784	-	199,061	651,845
Bond premium	7,561	-	-	7,561
Deferred financing costs	(1,459)	-	-	(1,459)
Refinance or prepayment of outstanding debt	-	(13,138)	-	(13,138)
Scheduled principal payments	(133,834)	(1,732)	(26,001)	(161,567)
Amortization of bond premium	(5,117)	-	-	(5,117)
Amortization of deferred financing costs	2,789	-	-	2,789
Long-term debt and capital leases at June 30, 2012	2,703,178	41,542	457,883	3,202,603
Less: Current portion	(56,454)	(1,966)	(25,027)	(83,447)
Noncurrent portion at June 30, 2012	$ 2,646,724	$ 39,576	$ 432,856	$ 3,119,156

Commercial Paper

The University has available a $2.0 billion commercial paper program, issued in two series, with tax-exempt and taxable components. Commercial paper may be issued for interim/permanent financing for capital projects, interim financing of equipment, financing of working capital for the medical centers and other working capital needs, standby or interim financing for gift financed projects and working capital for the University.

The program's liquidity is supported by available investments in STIP and TRIP. Commercial paper is collateralized by a pledge of the revenues derived from the ownership or operation of the projects financed and constitutes limited obligations of the University. There is no encumbrance, mortgage or other pledge of property securing commercial paper, and the paper does not constitute general obligations of the University.

	2013		2012	
(dollars in thousands)	INTEREST RATES	OUTSTANDING	INTEREST RATES	OUTSTANDING
Tax-exempt	0.1–0.2%	$ 7,969	0.1–0.2%	$ 29,268
Taxable	0.1–0.3%	184,004	0.1–0.4%	135,252
Total		$ 191,973		$ 164,520

The expectation is that the University will continue to utilize available investments for liquidity support for the commercial paper program. Alternatively, the University may utilize a line of credit from an external bank, as the University entered into a $300 million revolving credit agreement with a major financial institution for the purpose of providing additional liquidity support for the commercial paper program. As of June 30, 2013, there were no borrowings against the revolving credit agreement.

University of California Revenue Bonds

Revenue bonds have financed various auxiliary, administrative, academic, medical center and research facilities of the University. They generally have annual principal and semiannual interest payments; serial and term maturities; contain sinking fund requirements; and may have optional redemption provisions. Revenue bonds are not collateralized by any encumbrance, mortgage or other pledge of property, except pledged revenues, and do not constitute general obligations of The Regents. Revenue Bond Indentures require the University to use the facilities in a way that will not cause the interest on the tax-exempt bonds to be included in the gross income of the bondholders for federal tax purposes.

General Revenue Bonds are collateralized solely by General Revenues as defined in the Indenture. General Revenues are certain operating and nonoperating revenues of the University consisting of gross student tuition and fees; facilities and administrative cost recovery from contracts and grants; revenues from educational, auxiliary and other activities; and other revenues, including unrestricted investment income. The General Revenue Bond Indenture requires the University to set rates, charges and fees each year sufficient for General Revenues to pay for the annual principal and interest on the bonds and certain other financial covenants. General Revenues were $2.7 billion for both the years ended June 30, 2013 and 2012.

Limited Project Revenue Bonds are issued to finance auxiliary enterprises and are collateralized by a pledge consisting of the sum of the gross revenues of the specific projects. The Indenture requires the University to achieve the sum of gross project revenues equal to 1.1 times debt service and maintain certain other financial covenants. Pledged revenues for the years ended June 30, 2013 and 2012 were $259 million and $159 million, respectively.

Medical Center Pooled Revenue Bonds are issued to finance the University's medical center facilities and are collateralized by a joint and several pledge of the gross revenues of all five of the University's medical centers. Medical center gross revenues are excluded from General Revenues. The Medical Center Pooled Revenue Bond Indenture requires the medical centers to set rates, charges and fees each year sufficient for the medical center gross revenues to pay for the annual principal and interest on the bonds and certain other financial covenants. Gross revenues of the medical centers for the years ended June 30, 2013 and 2012 were $7.5 billion and $6.9 billion, respectively.

Medical Center Revenue Bonds have also financed certain facilities of UCLA's medical center and are collateralized by a pledge of the specific gross revenues associated with the medical center. The Medical Center Revenue Bond Indenture requires the medical center to achieve debt service coverage of 1.1 times; set limitations on encumbrances, indebtedness, disposition of assets and transfer services; and maintain certain other financial covenants.

The pledge of revenues under Limited Project Revenue Bonds is subordinate to the pledge of revenues associated with General Revenue Bonds, but senior to pledges under commercial paper agreements or bank loans.

Medical center gross revenues are not pledged for any purpose other than under the Indentures for the Medical Center Pooled Revenue Bonds, interest rate swap agreements and specific Medical Center Revenue Bonds. The pledge of medical center revenues under Medical Center Pooled Revenue Bonds is subordinate to the specific Medical Center Revenue Bonds.

The pledge of medical center revenues for interest-rate-swap agreements may be at parity with, or subordinate to, specific Medical Center Revenue Bonds and Medical Center Pooled Revenue Bonds.

All indentures permit the University to issue additional bonds as long as certain conditions are met.

2013 Activity

In July 2012, Limited Project Revenue bonds totaling $209 million were issued. Proceeds, including a bond premium of $32 million, were used to finance certain facilities and projects of UCLA and refund $213 million of outstanding Limited Project Revenue Bonds. The bonds mature at various dates through 2042. The tax-exempt bonds have a stated weight average interest rate of 4.9 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds.

In March 2013, General Revenue Bonds totaling $427 million were issued. Proceeds, including a bond premium of $21 million, were used to refund $500 million of outstanding General Revenue Bonds. The bonds mature at various dates through 2039. The tax-exempt bonds have a stated weighted average interest rate of 4.7 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds.

2012 Activity

In August 2011, General Revenue Bonds totaling $53 million were issued to finance and refinance certain facilities and projects of UCLA. Proceeds, including a bond premium of $6 million, were used to pay for project construction and issuance costs and refund $40 million of outstanding General Revenue Bonds and $15 million of Multiple Purpose Project Revenue Bonds. The bonds mature at various dates through 2041. The tax-exempt bonds have a stated weighted average interest rate of 4.9 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds.

In February 2012, General Revenue Bonds totaling $400 million were issued to finance capital projects of UCLA or for such other purposes as authorized by The Regents. The bonds have a stated interest rate of 4.9 percent, maturing in 2112.

Subsequent Events

In August 2013, tax-exempt Medical Center Pooled Revenue Bonds totaling $124 million, including $93 million of fixed-rate bonds and $31 million of variable-rate demand bonds, were issued to finance and refinance certain facilities and projects of the medical centers. Proceeds, including a bond premium of $4 million, were used to pay for project construction and issuance costs, and refund $28 million of outstanding Medical Center Revenue Bonds. The fixed-rate bonds mature at various dates through 2048, and the variable-rate bonds mature in 2047. The interest rates on the variable-rate demand bonds reset weekly, and an interest rate swap, previously classified as an investment derivative, is being used to limit exposure to changes in market interest rates. In the event of a failed remarketing, the variable-rate demand bonds can be put back to The Regents for tender. The tax-exempt bonds have a stated weighted average interest rate of 5.0 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds.

In October 2013, General Revenue Bonds totaling $352 million—including $164 million tax-exempt bonds, $102 million taxable bonds, and $86 million tax-exempt variable-rate demand bonds—were used to refinance debt issued by the State of California or for such other purposes as authorized by The Regents. Proceeds, including a bond premium of $10 million, were used to pay $341 million in Lease Revenue Bonds issued by the State Public Works Board of the State of California, reported as lease-purchase agreements by the University and bond issuance costs. The fixed-rate bonds mature at various dates through 2048, and the variable-rate demand bonds mature in 2048. The tax-exempt bonds have a stated weighted average interest rate of 3.5 percent. The taxable bonds have a stated weighted average interest rate of 4.3 percent. The interest rates on the variable-rate demand bonds reset weekly, and in the event of a failed remarketing, can be put back to The Regents for tender. Interest rate swap agreements were executed to limit exposure to changes in market interest rates. General Revenues, as defined in the Indenture, have been amended to include certain state appropriations to secure payment of the General Revenue Bonds.

Capital Leases

The University has entered into lease-purchase agreements with the State of California that are recorded as capital leases. The state sells lease revenue bonds to finance the construction of certain state-owned buildings to be used by UCLA. During the construction phase, the University acts as an agent for the state. Bond proceeds remain on deposit with the state, as trustee, until the University is reimbursed as the project is constructed.

Upon completion, the buildings and equipment are leased to UCLA under terms and amounts that are sufficient to satisfy the state's lease revenue bond requirements with the understanding that the state will provide financing appropriations to UCLA to satisfy the annual lease requirements. At the conclusion of the lease term, ownership transfers to UCLA.

Capital leases totaled $424 million and $458 million in 2013 and 2012, respectively. The majority of that amount, $349 million and $382 million at fiscal years ended 2013 and 2012, respectively, is attributed to state lease revenue bonds issued to finance primarily seismic renovations of various UCLA campus buildings and the UCLA replacement hospitals in Santa Monica and Westwood. The bonds mature in 2035.

Other University Borrowings

Other University borrowings consist of contractual obligations resulting from the acquisition of land or buildings and the construction and renovation of certain facilities, along with the borrowing component associated with a hybrid derivate instrument.

Other borrowings totaled $40 million and $42 million, respectively, at June 30, 2013 and 2012. This was comprised of unamortized borrowings under UCLA Medical Center swap agreements of $29 million and $30 million, respectively, at June 30, 2013 and 2012, in addition to mortgage and other obligations to various lenders of $11 million and $12 million, respectively, at June 30, 2013 and 2012.

As a means to lower the UCLA Medical Center's borrowing costs, when compared against fixed-rate bonds at the time of issuance, the UCLA Medical Center entered into interest rate swap agreements in connection with their variable-rate Medical Center Pooled Revenue Bonds. Under the swap agreements, the medical center pays the swap counterparty a fixed interest rate payment and receives a variable-rate interest payment to effectively change the variable-rate bonds to synthetic fixed-rate bonds. For the hedging derivatives, the notional amount of the swap matches the principal amount of the variable-rate Medical Center Pooled Revenue Bonds, and the swap agreement contains scheduled reductions to outstanding notional amounts that match scheduled reductions in the variable-rate bonds.

The UCLA Medical Center initially determined that its interest rate swap agreements were hedging derivatives that hedge future cash flows for its variable-rate Medical Center Pooled Revenue Bonds. In 2012, a portion of the variable-rate Medical Center Pooled Revenue Bonds for the UCLA Medical Center was retired, and the UCLA Medical Center reclassified the related interest rate swap from a hedging derivative to an investment derivative. At the time of pricing the interest rate swaps, the fixed rate on

each of the swaps was off-market such that the UCLA Medical Center received an up-front payment. As such, the swaps consist of a derivative instrument, an at-the-market swap, and a companion instrument, a borrowing, represented by the up-front payment. The unamortized amount of the borrowings at June 30, 2013 and 2012, respectively, were $29 million and $30 million. More information on the swap agreement is available in the University of California Medical Centers Report 12/13 at http://www.ucop.edu/financial-accounting/

As part of the University, UCLA may use uncollateralized revolving lines of credit with commercial banks to provide interim financing for buildings and equipment. There were no outstanding borrowings under these bank lines at June 30, 2013 and 2012, respectively.

Future Debt Service and Hedging Derivative Interest Rate Swaps

Future debt service payments for UCLA's fixed- and variable-rate debt and net receipts or payments on associated hedging derivative instruments for each of the five fiscal years subsequent to June 30, 2013 and thereafter are presented below. Although not a prediction by UCLA of the future interest cost of the variable-rate bonds or the impact of the hedging derivative interest rate swaps, these amounts assume that current interest rates on variable-rate bonds and the current reference rates of the hedging derivative interest rate swaps will remain the same. As these rates vary, variable-rate bond interest payments and net hedging derivative interest rate swap payments will vary.

(dollars in thousands) Year Ending June 30	COMMERCIAL PAPER	REVENUE BONDS	CAPITAL LEASES STATE	CAPITAL LEASES OTHER	OTHER UNIVERSITY BORROWINGS	TOTAL PAYMENTS	PRINCIPAL	INTEREST
2014	$ 192,300	$ 182,820	$ 35,766	$ 10,096	$ 2,525	$ 423,507	$ 270,199	$ 153,308
2015	-	181,959	35,427	6,977	2,560	226,923	79,691	147,232
2016	-	184,049	35,961	5,431	2,595	228,036	85,233	142,803
2017	-	184,652	35,936	5,203	2,633	228,424	89,340	139,084
2018	-	179,104	35,923	4,042	2,673	221,742	86,642	135,100
2019–2023	-	903,705	165,543	20,205	7,092	1,096,545	484,545	612,000
2024–2028	-	831,586	88,682	23,738	5,034	949,040	450,970	498,070
2029–2033	-	748,450	69,358	28,880	5,273	851,961	468,279	383,682
2034–2038	-	626,355	4,313	35,138	5,220	671,026	397,435	273,591
2039–2043	-	424,372	-	30,185	4,358	458,915	278,890	180,025
2044–2048	-	248,241	-	-	1,505	249,746	131,245	118,501
2049–2112	-	1,652,424	-	-	-	1,652,424	408,235	1,244,189
Total future debt service	192,300	6,347,717	506,909	169,895	41,468	7,258,289	$ 3,230,704	$ 4,027,585
Less: Interest component of future payments	(329)	(3,776,710)	(157,385)	(91,269)	(1,892)	(4,027,585)		
Principal portion of future payments	191,971	2,571,007	349,524	78,626	39,576	3,230,704		
Adjusted by:								
Unamortized deferred financing costs	-	(28,963)	-	-	-	(28,963)		
Unamortized bond premium	-	98,715	-	-	-	98,715		
Present value of net minimum leases included in long-term debt	-	-	-	(3,978)	-	(3,978)		
Total debt	$ 191,971	$ 2,640,759	$ 349,524	$ 74,648	$ 39,576	$ 3,296,478		

8. THE UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM (UCRS)

Most UCLA employees participate in UCRS. UCRS consists of The University of California Retirement Plan, a single-employer, defined benefit plan funded with University and employee contributions; the University of California Retirement Savings Program that includes four defined contribution plans with options to participate in internally and externally managed investment portfolios generally funded with employee non-elective and elective contributions; and the California Public Employee's Retirement System (PERS) Voluntary Early Retirement Incentive Program (PERS-VERIP), a defined benefit plan for UCLA employees who were members of PERS who elected early retirement. The Regents has the authority to establish and amend the benefit plans.

Condensed financial information related to each plan in UCRS for the years ended June 30, 2013 and 2012 is as follows:

	UNIVERSITY OF CALIFORNIA RETIREMENT PLAN		UNIVERSITY OF CALIFORNIA RETIREMENT SAVINGS PROGRAM		UNIVERSITY OF CALIFORNIA PERS-VOLUNTARY EARLY RETIREMENT INCENTIVE PLAN		TOTAL	
(dollars in thousands)	2013	2012	2013	2012	2013	2012	2013	2012
CONDENSED STATEMENT OF PLANS' FIDUCIARY NET POSITION								
Investments at fair value	$ 45,894,422	$ 42,066,296	$ 14,145,161	$ 12,279,193	$ 65,228	$ 63,189	$ 60,104,811	$ 54,408,678
Participants' interests in mutual funds			3,738,538	4,426,842			3,738,538	4,426,842
Investment of cash collateral	4,229,966	5,409,671	2,304,152	2,127,626	6,010	8,141	6,540,128	7,545,438
Other assets	243,895	1,125,409	194,483	438,858	105	1,141	438,483	1,565,408
Total assets	50,368,283	48,601,376	20,382,334	19,272,519	71,343	72,471	70,821,960	67,946,366
Collateral held for securities lending	4,229,697	5,407,683	2,304,007	2,126,843	6,010	8,138	6,539,714	7,542,664
Other liabilities	797,860	1,387,208	286,279	548,844	1,231	2,090	1,085,370	1,938,142
Total liabilities	5,027,557	6,794,891	2,590,286	2,675,687	7,241	10,228	7,625,084	9,480,806
Net position held in trust	$ 45,340,726	$ 41,806,485	$ 17,792,048	$ 16,596,832	$ 64,102	$ 62,243	$ 63,196,876	$ 58,465,560
CONDENSED STATEMENT OF CHANGES IN PLANS' FIDUCIARY NET POSITION								
Contributions	$ 1,225,697	$ 2,123,880	$ 950,286	$ 977,749			$ 2,175,983	$ 3,101,629
Net appreciation (depreciation) in fair value of investments	3,990,041	(783,531)	1,110,169	(192,647)	5,871	(1,312)	5,106,081	(977,490)
Investment and other income, net	843,298	899,392	410,410	391,056	1,273	1,403	1,254,981	1,291,851
Total additions	6,059,036	2,239,741	2,470,865	1,176,158	7,144	91	8,537,045	3,415,990
Benefit payment and participant withdrawals	2,487,369	2,273,073	1,268,234	846,375	5,278	5,369	3,760,881	3,124,817
Plan expense	37,426	32,838	7,415	8,566	7	7	44,848	41,411
Total deductions	2,524,795	2,305,911	1,275,649	854,941	5,285	5,376	3,805,729	3,166,228
Increase (decrease) in net position held in trust	3,534,241	(66,170)	1,195,216	321,217	1,859	(5,285)	4,731,316	249,762
Net position held in trust Beginning of year	41,806,485	41,872,655	16,596,832	16,275,615	62,243	67,528	58,465,560	58,215,798
End of year	$ 45,340,726	$ 41,806,485	$ 17,792,048	$ 16,596,832	$ 64,102	$ 62,243	$ 63,196,876	$ 58,465,560

Information on the retirement plans can be obtained from the 2012-13 annual report of the University of California Retirement System.

University of California Retirement Plan (UCRP)

UCRP provides lifetime retirement income, disability protection, death benefits and pre-retirement survivor benefits to eligible employees of the University and its affiliates. Membership in the retirement plan is required for all employees appointed to work at least 50 percent time for an indefinite period or for a definite period of a year or more. An employee may also become eligible by completing 1,000 hours of service within a 12-month period. Generally, five years of service are required for entitlement to plan benefits. The amount of the pension benefit is determined by salary rate, age and years of service credit with certain cost-of-living adjustments. The maximum monthly benefit is 100 percent of the employee's highest average compensation over a consecutive 36-month period, subject to certain limits imposed under the Internal Revenue Code.

Contribution Policy

The Regents' contribution funding policy is based on a percentage of payroll using the entry age normal actuarial cost method. In determining the funding policy contribution, all July 1, 2010, amortization bases were combined to a single amortization base and amortized over a 30-year period as a level dollar amount.

The total funding policy contribution rates as of July 1, 2012, are based on all of the Plan data, the actuarial assumptions and the Plan provisions adopted at the time of preparation of the actuarial valuation. They include all changes affecting future costs, adopted benefit changes, actuarial gains and losses, and changes in the actuarial assumptions. Employee contributions by represented employees are subject to collective bargaining agreements. UCLA contributions were $199 million and $136 million for 2013 and 2012, respectively.

Employee contributions to UCRP are accounted for separately and currently accrue interest at 6.0 percent annually. Upon termination, members may elect a refund of their contributions plus accumulated interest; vested terminated members who are eligible to retire may also elect monthly retirement income or a lump sum equal to the present value of their accrued benefits.

UCRP Benefits and Obligation to UCRP

The University's annual UCRP benefit expense is independently calculated for the campuses and medical centers based upon the actuarially determined annual required contributions. The annual required contribution represents the level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize unfunded actuarial liabilities or surplus over a period of up to 30 years.

UCLA's annual UCRP benefit expense and related information for the years ended June 30, 2013 and 2012 is as follows:

	UCLA	
(dollars in thousands)	**2013**	**2012**
Actuarial valuation date	July 1, 2012	July 1, 2011
Annual required contribution	$ 480,032	$ 439,447
Interest on obligation to UCRP	38,181	31,854
Adjustment to annual required contribution	(42,786)	(246,238)
Annual UCRP cost	**475,427**	**225,063**
University contributions to UCRP	(198,568)	(135,768)
Increase in obligation to UCRP	276,859	89,295
Obligation to UCRP		
Beginning of year	508,208	418,913
End of year	**$ 785,067**	**$ 508,208**

The annual UCRP benefit cost, the percentage of the annual UCRP benefit cost contributed to UCRP, and the net obligation to UCRP for UCLA for the year ended June 30, 2013 and the preceding years are as follows:

(dollars in thousands)	**UCLA**
Annual UCRP benefit cost:	
June 30, 2013	$ 475,427
June 30, 2012	225,063
June 30, 2011	127,096
Percent of annual cost contribution:	
June 30, 2013	41.8%
June 30, 2012	80.8%
June 30, 2011	85.8%
Net obligation (benefit) to UCRP:	
June 30, 2013	$ 785,067
June 30, 2012	508,208
June 30, 2011	418,913

Funded Status

Actuarial valuations represent a long-term perspective and involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The projection of benefits does not explicitly incorporate the potential effects of the results of collective bargaining discussions on the contribution rate. Actuarially determined amounts are subject to periodic revisions as actual results are compared with past expectations and new estimates are made about the future.

All UCRP assets are available to pay any member's benefit.

The funded status of UCRP for the campuses and medical centers as of July 1, 2012, was as follows:

(dollars in thousands)	CAMPUSES AND MEDICAL CENTERS
Actuarial value of plan assets	$ 35,728,600
Actuarial accrued liability	(45,762,640)
Unfunded actuarial accrued liability	$ (10,034,040)
Funded ratio	78.1%
Covered payroll	$ 8,333,655
Unfunded actuarial accrued liability as a percentage of covered payroll	(120.4)%

The schedule of funding progress is presented in the supplementary information in the audited statements of the University. It includes multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based upon the plan as understood by the University and plan members, and include the types of benefits provided at the time of each valuation and the historical cost pattern of sharing of benefit costs between the University and plan members to that point. The actuarial methods and assumptions used included techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Significant actuarial methods and assumptions used in the valuation were:

- Assumed return on investment of 7.5 percent per year;
- Projected salary increases ranging from 4.3 to 6.8 percent per year;
- Projected inflation at 3.5 percent;
- Entry Age Normal actuarial cost method;
- Future life expectancy based upon recent group mortality experience; and
- Assumed retirement ages, employee turnover and disability rates based on actual plan experience and future expectations for campuses and medical centers.

The actuarial value of assets was determined by smoothing the effect of short-term volatility in the fair value of investments over a five-year period. The amortization period for the excess of actuarial accrued liability over the actuarial value of assets at July 1, 2012, for campuses and medical centers and total UCRP was 24 years for each.

University of California Retirement Savings Program (UCRSP)

UCRSP includes four defined contribution plans providing retirement savings incentives that are generally available to all University employees. Participants' interests in the plans are fully and immediately vested and are distributable at retirement, termination of employment or death. Participants may also

elect to defer distribution of the account until age 70½ or separation from service after age 70½, whichever is later, in accordance with Internal Revenue Code minimum distribution requirements. The plans also accept qualified rollover contributions.

Defined Contribution Plans

The Defined Contributions Plan (DC Plan) accepts both after-tax and pretax employee contributions that are fully vested. Pretax contributions are mandatory for all employees who are members of UCRP, as well as Safe Harbor participants (part-time, seasonal and temporary employees) who are not covered by Social Security. For UCRP members, monthly employee contributions range from approximately 2.0 percent to 4.0 percent of covered wages, depending upon whether wages are below or above the Social Security wage base. For Safe Harbor participants, monthly employee contributions are 7.5 percent of covered wages. In April 2010, pretax employee contributions were discontinued, subject to collective bargaining for represented employees.

The University has a provision for matching employer and employee contributions to the DC Plan for certain summer session teaching or research compensation for eligible academic employees. The University may also make contributions on behalf of certain members of management.

The Supplemental Defined Contribution Plan (SDC Plan) accepts employer contributions on behalf of certain designated employees. Employer contributions are fully vested, and there is no provision for employee contributions. There were no employer contributions to the SDC Plan for the years ended June 30, 2013 or 2012.

Tax Deferred 403(b) Plan

The University's Tax-Deferred 403(b) Plan (403(b) Plan) accepts pretax employee contributions. The University may also make contributions on behalf of certain members of management.

457(b) Deferred Compensation Plan

The University's 457(b) Deferred Compensation Plan (457(b) Plan) accepts pretax employee contributions. UCLA may also make contributions on behalf of certain members of management. There were no employer contributions to the 457(b) Plan for the years ended June 30, 2013 and 2012.

Participants in the DC Plan, the SDC Plan, the 403(b) Plan and the 457(b) Plan may direct their elective and nonelective contributions to investment funds managed by the Chief Investment Officer. They may also invest account balances in certain mutual funds.

University of California PERS-VERIP

The University of California PERS-VERIP is a defined benefit pension plan providing lifetime supplemental retirement income and survivor benefits to UC-PERS members who elected early retirement under provisions of the plan. The University contributed to PERS on behalf of these UC-PERS mem-

bers. As of July 1, 2013, there are 659 systemwide retirees or beneficiaries receiving benefits under this voluntary early retirement program.

The University previously made contributions to the plan sufficient to maintain the promised benefits. The annual requirement contribution, net obligation to PERS-VERIP and any changes or adjustments to that obligation, are all zero for the years ending June 30, 2013 and 2012.

9. RETIREE HEALTH BENEFIT COSTS AND OBLIGATIONS

The University administers single-employer health and welfare plans to provide health and welfare benefits, primarily medical, dental and vision, to eligible retirees and their eligible family members (retirees) of the University of California and its affiliates. The Regents has the authority to establish and amend the plans. Additional information can be obtained from the 2011-2012 annual report of the University of California Retiree Health Benefit Trust.

Membership in UCRP is required to become eligible for retiree health benefits.

Contribution Policy

The contribution requirements of the University and eligible retirees are established and may be amended by the University. The contribution requirements are based upon projected pay-as-you-go financing. University and retiree contributions toward premiums made under purchased plan arrangements are determined by applying the health plan contract rates across the number of participants in the respective plans. Premium rates for the self-insured plan contributions are set by the University based upon a trend analysis of the historic cost, utilization, demographics and administrative expenses to provide for the claims incurred and the actuarially determined level of incurred but not reported liability.

Contributions toward medical and dental benefits are shared between the University and the retiree. Contributions toward wellness benefits are made by the University. The University does not contribute toward the cost of other benefits available to retirees. Retirees employed by the University prior to 1990 and not rehired after that date are eligible for the University's maximum contribution if they retire before age 55 and have at least 10 years of service, or if they retire at age 55 or later and have at least 5 years of service. Retirees employed by the University after 1989 are subject to graduated eligibility provisions that generally require 10 years of service before becoming eligible for 50 percent of the maximum University contribution, increasing to 100 percent after 20 years of service.

Effective July 2013, retirees who are employed by the University after July 1, 2013, and retire at the age of 56 or older, become eligible for a percentage of the University's contribution based on age and years of service. Retirees are eligible for the maximum University contribution at age 65 with 20 or more years of service.

Active employees do not make any contributions toward the retiree health benefit plans. Retirees pay the excess, if any, of the premium over the applicable portion of the University's contribution.

In addition to the explicit University contribution provided to retirees, there is an "implicit subsidy." The gross premiums for members who are not currently eligible for Medicare benefits are the same for active employees and retirees, based on a blend of their health costs. Retirees, on average, are expected to have higher health care costs than active employees. This is primarily due to the older average age of retirees. Since the same gross premiums apply to both groups, the premiums paid for active employees by the University are subsidizing the premiums for retirees. This effect is called the implicit subsidy. The implicit subsidy associated with retiree health costs paid during the past year is also considered to be a contribution from the University.

Retiree Health Benefit Expense and Obligation for Retiree Health Benefits

The University's retiree health benefit expense is independently calculated for campuses and medical centers based upon the actuarially determined annual required contribution. The annual required contribution represents the level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize unfunded actuarial liabilities over a period of up to 30 years.

UCLA's annual retiree health benefit expense and related information for the years ended June 30, 2013 and 2012 is as follows:

	UCLA	
(dollars in thousands)	**2013**	**2012**
Actuarial valuation date	July 1, 2012	July 1, 2011
Annual required contribution	$ 404,244	$ 403,678
Interest on obligation to retiree health benefits	79,617	64,414
Adjustment to annual required contribution	(155,659)	(99,688)
Annual retiree health benefit cost	**328,202**	**368,404**
Contributions for retiree health benefits	**(71,934)**	**(79,380)**
Increase in obligations for retiree health benefits	**256,268**	**289,025**
Obligations for retiree health benefits		
Beginning of year	1,445,111	1,156,086
End of year	**$ 1,701,379**	**$ 1,445,111**

The annual retiree health benefit cost, the percentage of the annual retiree health benefit cost contributed to the retiree health benefit plan, and the net obligation for retiree health benefits for UCLA for the year ended June 30, 2013, and the preceding years are as follows:

(dollars in thousands)	**UCLA**
Annual retiree health benefit cost:	
June 30, 2013	$ 328,201
June 30, 2012	368,404
June 30, 2011	394,895
Percent of annual cost contribution:	
June 30, 2013	22.1%
June 30, 2012	23.2%
June 30, 2011	17.9%
Net obligation (benefit) to the retiree benefits plan:	
June 30, 2013	$ 1,701,379
June 30, 2012	1,445,111
June 30, 2011	1,156,086

Funded Status

Actuarial valuations represent a long-term perspective and involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, investment return and health care cost trends. The projection of benefits does not explicitly incorporate the potential effects of the results of collective bargaining discussions on the contribution rate. Actuarially determined amounts are subject to periodic revisions as actual rates are compared with past expectations and new estimates are made about the future.

The funded status of the plan for the campuses and medical centers as of July 1, 2012, was as follows:

(dollars in thousands)	CAMPUSES AND MEDICAL CENTERS
Actuarial value of plan assets	$ 97,435
Actuarial accrued liability	(14,559,017)
Unfunded actuarial accrued liability	$ (14,461,582)
Value of the implicit subsidy included in the actuarial accrued liability	$ 2,686,521
Funded ratio	0.7%
Covered payroll	$ 8,333,654
Unfunded actuarial accrued liability as a percentage of covered payroll	(173.5)%

The schedule of funding progress, presented as required supplementary information, is available in the University audited financial statements. It includes multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based upon the plan as understood by the University and plan members, and include the types of benefits provided at the time of each valuation and the historical cost pattern of sharing of benefit costs between the University and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Significant actuarial methods and assumptions used in the valuation were:

- Assumed return on investment of 5.5 percent per year, representing the return on the University's assets expected to be used to finance benefits;
- Market value of assets smoothed over a five-year period;
- Health care cost trend rate ranging from 8.0 to 11.5 percent for non-Medicare and 7.0 to 17.5 percent for Medicare initially, depending on the type of plan, reduced by increments to an ultimate rate of 5.0 percent over 11 years;
- Projected inflation at 3.5 percent;
- Amortization of the initial unfunded actuarial accrued liability over 30 years as a flat dollar amount on a closed basis;

- Amortization of future actuarial gains and losses over 15 years as a flat dollar amount on a closed basis;
- Amortization of the effects of changes in the plan design, or changes in assumptions, over 30 years as a flat dollar amount on a closed basis;
- Entry Age Normal level-dollar actuarial cost method;
- Future life expectancy based upon recent group mortality experience; and
- Assumed retirement ages, employee turnover and disability rates based on actual plan experience and future expectations.

10. ENDOWMENTS AND FOUNDATION GIFTS

The value of endowments and gifts held and administered by the University or by UCLA's Foundations, exclusive of income distributed to be used for operating purposes, at June 30, 2013 and 2012, are as follows:

	UCLA		FOUNDATIONS	
(dollars in thousands)	**2013**	**2012**	**2013**	**2012**
Restricted				
Endowments	$ 237,011	$ 230,750	$ 778,924	$ 690,833
Annuity and life income	38	42	18,195	16,660
Nonexpendable	237,049	230,792	797,119	707,493
Endowments	396,156	352,473	174,433	128,951
Funds functional as endowments	493,021	433,776	426,270	377,008
Annuity and life income	378	412	13,975	13,258
Gifts	206,291	209,561	473,141	387,398
Expendable	1,095,846	996,222	1,087,819	906,615
Total restricted	1,332,895	1,227,014	1,884,938	1,614,108
Unrestricted				
Endowments	650	579		
Funds functional as endowments	147,758	120,356		
Gifts	2,689	2,855	89,817	139,286
Total unrestricted	151,097	123,790	89,817	139,286
Total	$ 1,483,992	$ 1,350,804	$ 1,974,755	$ 1,753,394

University Endowments

The endowments held by the University are administered on a systemwide basis. The University's endowment income distribution policies are designed to preserve the value of the endowment in real terms (after inflation) and to generate a predictable stream of spendable income. Endowment investments are managed to achieve the maximum long-term total return. As a result of this emphasis on total return, the proportion of the annual income distribution provided by dividend and interest income and by capital gains may vary significantly from year to year. The University's policy is to retain the realized

and unrealized appreciation with the endowment after the annual income distribution has been made. The net appreciation available to meet future spending needs, subject to the approval of The Regents, amounted to $783 million and $618 million at June 30, 2013 and 2012, respectively.

The portion of investment returns earned on endowments held by the University and distributed at the end of each year to support current operations for the following year is based upon a rate that is approved by The Regents. The annual income distribution transferred to UCLA from endowments held by the University was $33 million and $33 million for years ended June 30, 2013 and 2012, respectively. The portion of this annual income distribution from accumulated capital gains, in addition to the dividend and interest income earned during the year, was $23 million and $20 million for the years ended June 30, 2013 and 2012, respectively. Accumulated endowment income available for spending in the future, including the annual income distribution, was $69 million and $68 million at June 30, 2013 and 2012, respectively.

UCLA Foundations

During the years ended June 30, 2013 and 2012, gifts of $190 million ($67 million from endowment investments and $123 million from current funds) and $162 million ($73 million from endowment investments and $89 million from current funds), respectively, were transferred to UCLA from these Foundations.

11. OPERATING EXPENSES BY FUNCTION

Operating expenses, by functional classification, for the years ended June 30, 2013 and 2012, are as follows:

(dollars in thousands)	2013	2012
Instruction	$ 1,516,111	$ 1,388,195
Research	705,611	738,806
Public service	104,965	99,938
Academic support	468,235	427,683
Student services	115,714	106,104
Institutional support	175,527	153,505
Operations and maintenance of plant	77,429	77,486
Student financial aid	39,640	44,224
Medical centers	1,545,893	1,450,865
Auxiliary enterprises	295,435	276,478
Depreciation	293,149	293,764
Other	23,751	23,202
Total	$ 5,361,460	$ 5,080,250

12. CAMPUS FOUNDATION INFORMATION

Under University policies approved by The Regents, each individual campus may establish a separate foundation to provide valuable assistance in fundraising, public outreach, and other support for the missions of the campus and the University. Although independent boards govern these foundations, their assets are dedicated for the benefit of the University.

The UCLA Foundation was established in 1945 to raise funds to benefit UCLA. In addition, the Jonsson Cancer Center Foundation/UCLA (JCCF) was established in 1956 with the primary purpose to raise funds for cancer research at UCLA. These two foundations are component units of the University. The combined financial statements of these two foundations are presented discretely in a separate column on the University's financial statements because of their nature and significance of their relationship with the University.

Condensed financial statement information related to UCLA's foundations for the years ended June 30, 2013 and 2012 is as follows:

	UCLA FOUNDATIONS		
Year ended June 30, 2013 *(dollars in thousands)*	UCLA FOUNDATION*	JONSSON CANCER CENTER FOUNDATION	TOTAL
CONDENSED STATEMENT OF NET POSITION			
Current assets	$ 298,296	$ 6,488	$ 304,784
Noncurrent assets	1,905,485	7,870	1,913,355
Total assets	**2,203,781**	**14,358**	**2,218,139**
Current liabilities	208,845	34	208,879
Noncurrent liabilities	34,505	-	34,505
Total liabilities	**243,350**	**34**	**243,384**
Restricted	1,878,505	6,433	1,884,938
Unrestricted	81,926	7,891	89,817
Total net position	**$ 1,960,431**	**$ 14,324**	**$ 1,974,755**
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION			
Operating revenues	$ 252,960	$ 13,005	$ 265,965
Operating expenses	(254,081)	(12,158)	(266,239)
Operating income	**(1,121)**	**847**	**(274)**
Nonoperating revenues	185,455	796	186,251
Income before other changes in net position	**184,334**	**1,643**	**185,977**
Permanent endowments	53,572	-	53,572
Increase in net position	**237,906**	**1,643**	**239,549**
Net position - June 30, 2012	1,739,728	13,666	1,753,394
Cumulative effect of accounting change	(17,203)	(985)	(18,188)
Beginning of year, as restated	1,722,525	12,681	1,735,206
Net position - June 30, 2013	**$ 1,960,431**	**$ 14,324**	**$ 1,974,755**
CONDENSED STATEMENT OF CASH FLOWS			
Net cash provided (used) by:			
Operating activities	$ (122,557)	$ (357)	$ (122,914)
Noncapital financing activities	42,244	-	42,244
Investing activities	81,093	376	81,469
Net increase in cash and equivalents	**780**	**19**	**799**
Cash and equivalents - June 30, 2012	1,269	63	1,332
Cash and equivalents - June 30, 2013	**$ 2,049**	**$ 82**	**$ 2,131**

**Net of investments held for JCCF*

Year ended June 30, 2012 *(dollars in thousands)*	UCLA FOUNDATIONS UCLA FOUNDATION*	JONSSON CANCER CENTER FOUNDATION	TOTAL
CONDENSED STATEMENT OF NET POSITION			
Current assets	$ 202,764	$ 5,761	$ 208,525
Noncurrent assets	1,759,819	7,912	1,767,731
Total assets	**1,962,583**	**13,673**	**1,976,256**
Current liabilities	187,587	7	187,594
Noncurrent liabilities	35,268	-	35,268
Total liabilities	**222,855**	**7**	**222,862**
Restricted	1,607,740	6,368	1,614,108
Unrestricted	131,988	7,298	139,286
Total net position	**$ 1,739,728**	**$ 13,666**	**$ 1,753,394**
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION			
Operating revenues	$ 171,571	$ 13,035	$ 184,606
Operating expenses	(225,684)	(11,507)	(237,191)
Operating income	**(54,113)**	**1,528**	**(52,585)**
Nonoperating revenues	(24,810)	(6)	(24,816)
Income before other changes in net position	**(78,923)**	**1,522**	**(77,401)**
Permanent endowments	48,623	-	48,623
Increase in net position	**(30,300)**	**1,522**	**(28,778)**
Net position - June 30, 2011	1,770,028	12,144	1,782,172
Net position - June 30, 2012	**$ 1,739,728**	**$ 13,666**	**$ 1,753,394**
CONDENSED STATEMENT OF CASH FLOWS			
Net cash provided (used) by:			
Operating activities	$ (118,106)	$ (497)	$ (118,603)
Noncapital financing activities	37,635	-	37,635
Investing activities	80,271	519	80,790
Net increase (decrease) in cash and equivalents	**(200)**	**22**	**(178)**
Cash and equivalents - June 30, 2011	1,469	41	1,510
Cash and equivalents - June 30, 2012	**$ 1,269**	**$ 63**	**$ 1,332**

**Net of investments held for JCCF*

13. COMMITMENTS AND CONTINGENCIES

Contractual Commitments

Amounts committed but unexpended for construction projects totaled $676 million and $517 million on June 30, 2013 and 2012, respectively.

UCLA leases land, buildings and equipment under agreements recorded as operating leases. Operating lease expenses for the years ended June 30, 2013 and 2012 were $73 million and $74 million, respectively. The terms of operating leases extend through March 2027.

Future minimum payments on operating leases with initial or remaining non-cancelable terms in excess of one year are as follows:

(dollars in thousands) Year Ending June 30	MINIMUM ANNUAL LEASE PAYMENTS
2014	$ 44,447
2015	39,844
2016	34,121
2017	27,617
2018	23,321
2019–2023	55,285
2024–2027	1,801
Total	$ 226,436

Contingencies

Substantial amounts are received and expended by UCLA, including the UCLA Medical Center, under federal and state programs and are subject to audit by cognizant governmental agencies. This funding relates to research, student aid, medical center operations and other programs. UCLA management believes that any liabilities arising from such audits will not have a material effect on UCLA's financial position.

UCLA and the foundations are contingently liable in connection with certain other claims and contracts, including those currently in litigation, arising in the normal course of its activities. Although there are inherent uncertainties in any litigation, UCLA management and campus counsel are of the opinion that the outcome of such matters will not have a material effect on UCLA's financial position.

UCLA

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